

**Variety - The Children's Charity
(Ontario)**

Non-consolidated Financial Statements

For the Year Ended September 30, 2015

INDEPENDENT AUDITORS' REPORT
To the Board of Directors of Variety - The Children's Charity (Ontario)T. 416.480.0160
F. 416.480.2646www.collinsbarrow.com

We have audited the accompanying non-consolidated financial statements of Variety - The Children's Charity (Ontario) (the "Organization"), which comprise the non-consolidated statement of financial position as at September 30, 2015 and the non-consolidated statements of operations, changes in net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these non-consolidated 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 the 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 non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the non-consolidated 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 non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenues from fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising and gaming operations revenue, excess of revenue over expenses and cash flows from operations for the year ended September 30, 2015, current assets as at September 30, 2015 and net assets as at September 30, 2015 and October 1, 2014.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the non-consolidated financial statements present fairly, in all material respects, the financial position of Variety - The Children's Charity (Ontario) as at September 30, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
December 7, 2015
Toronto, Ontario

Variety - The Children's Charity (Ontario)
Non-consolidated Statement of Financial Position
As at September 30, 2015

	2015	2014
Assets		
Current		
Cash	\$ 356,676	\$ 1,669,684
Accounts receivable (Note 4)	536,392	134,657
Investments (Note 5)	2,218,959	1,105,982
Prepaid expenses and supplies	33,292	39,839
Current portion of mortgages receivable (Note 6)	-	1,156,515
	3,145,319	4,106,677
Endowment investments (Note 5)	402,073	408,596
Capital assets (Note 7)	6,273,176	6,607,337
Intangible assets (Note 8)	243,214	-
	\$ 10,063,782	\$ 11,122,610
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 4)	\$ 582,962	\$ 564,302
Due to related parties (Note 9)	172,332	99,322
Current portion of long-term debt (Note 10)	296,609	1,285,881
	1,051,903	1,949,505
Long-term debt (Note 10)	2,487,348	2,780,768
	3,539,251	4,730,273
Deferred contributions (Note 11)	129,266	42,436
Deferred contributions related to capital assets (Note 12)	1,343,783	1,019,016
Deferred government grants related to capital assets (Note 13)	1,171,134	1,319,880
	2,644,183	2,381,332
Net assets		
Endowments (Note 14)	401,181	401,181
Operating	3,479,167	3,609,824
	3,880,348	4,011,005
	\$ 10,063,782	\$ 11,122,610
Commitments (Note 16)		
Subsequent event (Note 19)		
Approved by the Board	_____	_____
	Chair	Treasurer

Variety - The Children's Charity (Ontario)
Non-consolidated Statements of Changes in Net Assets
Year Ended September 30, 2015

	Endowments	Operating	Total 2015	Total 2014
	(Note 14)			
Net assets, beginning of year	\$ 401,181	\$ 3,609,824	\$ 4,011,005	\$ 4,807,252
Deficiency of revenue over expenses	-	(130,657)	(130,657)	(796,247)
Net assets, end of the year	\$ 401,181	\$ 3,479,167	\$ 3,880,348	\$ 4,011,005

Variety - The Children's Charity (Ontario)
Non-consolidated Statement of Operations
Year Ended September 30, 2015

	2015	2014
Revenue		
Fundraising, net (Schedule 1)	\$ 347,681	\$ 380,492
Provincial funding	1,020,000	960,000
Gaming operations, net (Schedule 2)	118,392	124,942
Interest	120,572	167,927
Other Income	16,961	19,380
	1,623,606	1,652,741
Administrative expenses		
Salaries and benefits	190,479	157,425
Professional fees	31,830	40,569
Office and general	74,177	35,544
Interest and bank charges	13,921	12,149
Interest on long-term debt (Note 10)	79,705	123,330
Insurance	30,332	25,722
Amortization	-	94
Mortgage receivable impairment (recovery) (Note 6)	(130,000)	130,000
	290,444	524,833
Excess of revenue over administrative expenses	1,333,162	1,127,908
Allocations to charitable activities (Note 9)		
Variety Village	765,160	799,326
Amortization of capital assets held for use by Variety Village	706,809	689,654
Variety Club of Ontario - Tent 28	2,079	12,485
	1,474,048	1,501,465
Deficiency of revenue over expenses before the under noted	(140,886)	(373,557)
Discontinued bingo operations, net	-	(422,690)
Gain from disposition of capital assets, net (Note 6)	10,229	-
Deficiency of revenue over expenses	\$ (130,657)	\$ (796,247)

Variety - The Children's Charity (Ontario)
Non-consolidated Statement of Cash Flows
Year Ended September 30, 2015

	2015	2014
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses	\$ (130,657)	\$ (796,247)
Items not involving cash		
Amortization of capital assets	706,809	689,748
Amortization of deferred contributions related to capital assets (Note 12)	(83,940)	(65,443)
Amortization of deferred government grants (Note 13)	(148,746)	(148,746)
Fair value of donated investments	-	(10,036)
Accrued interest on endowment investments and investments (Note 5)	-	(13,850)
Change in non-cash operating balances (Note 15)	(216,688)	(94,181)
Mortgages receivable impairment (recovery)	(130,000)	130,000
	(3,222)	(308,755)
Investing activities		
Purchase of investments (Note 5)	(2,231,551)	(1,082,069)
Proceeds from sale of investments (Note 5)	1,118,574	801,061
Proceeds from sale of endowment investments (Note 5)	6,523	-
Purchase of capital assets	(372,648)	(148,136)
Proceeds from sale of donated investments	-	10,036
Receipts from mortgage receivable	1,286,515	2,038,365
Purchase of intangible assets	(243,214)	-
	(435,801)	1,619,257
Financing activities		
Deferred contributions related to capital received (Note 12)	408,707	43,644
Repayment of long-term capital lease payable	-	(20,928)
Repayment of long-term debt	(1,282,692)	(229,783)
	(873,985)	(207,067)
Net change in cash	(1,313,008)	1,103,435
Cash, beginning of year	1,669,684	566,249
Cash, end of year	\$ 356,676	\$ 1,669,684

1. NATURE OF THE ORGANIZATION

Variety - The Children's Charity (Ontario) (the "Organization") is incorporated under the laws of Ontario without share capital. It is a not-for-profit organization, which aims to improve the quality of life for children with disabilities in Ontario by funding special programs and facilities.

The Organization is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements are met.

The Organization exercises control over Variety Village and Variety Club of Ontario - Tent 28 ("Tent 28") by virtue of a common Board of Directors and through the Organization's control and direction of resources. These non-consolidated financial statements do not include the financial results of these two entities. The total assets, liabilities, revenue and expenses and cash flows from operating, financing and investing activities of the entities as well as the entities' intended purpose is disclosed in Note 17.

2. SIGNIFICANT ACCOUNTING POLICIES

Management Estimates

The preparation of these non-consolidated financial statements in conformity 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 as at the reporting date and the revenue and expenses reported for the year then ended. Significant estimates include allowance for doubtful accounts, useful lives of capital assets and the allocation of shared expenses with Variety Village. Actual results could differ from those estimates.

Financial Instruments

The Organization initially measures its financial assets and liabilities at fair value. The Organization subsequently measures its financial assets and financial liabilities at amortized cost, except for equity investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the excess (deficiency) of revenue over expenses.

Financial assets measured at amortized cost include accounts receivable, due from related parties, endowment investments and investments. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long-term debt.

Transaction costs and financing fees are expensed as incurred for financial instruments measured at fair value and capitalized for financial instruments that are subsequently measured at cost or amortized cost.

Financial assets measured at cost or amortized costs are tested for impairment when there are indicators of impairment. The amount of the write-down, if any, is recognized in the excess (deficiency) of revenue over expenses. Reversals of impairment are recorded to the extent that the value has increased, up to the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the excess (deficiency) of revenue over expenses.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Volunteer Services and Donated Assets

The efforts of volunteer workers are not reflected in the accompanying financial statements as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the Organization.

Donated assets are recorded at fair market value determined at the time the donation is made and if the donated assets would have otherwise been purchased.

Revenue Recognition

The Organization follows the deferral method of accounting for contributions, which include donations, bequests and other revenue from special events and fundraising activities. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding to the amortization rate of the related capital assets.

Endowments are recognized as direct increases in net assets, and are required to be maintained on a permanent basis. Income derived therefrom is available to support the Organization's activities.

Revenue from gaming operations and interest is recognized as earned.

The value of donated materials and services are recorded in the financial statements when a fair value can be reasonably estimated, the materials and services are used in the normal course of operations and would otherwise have been purchased.

All revenues are recognized, only after collectibility is assured and when the amount can be reasonably estimated.

Capital Assets

Capital assets of the Organization are stated at cost less accumulated amortization. Contributed property is recorded at the fair value at the date of the gift. When capital assets no longer contribute to the Organization's ability to provide services, its carrying amount is written down to its residual value.

The Organization amortizes its property over its estimated useful life as follows:

Building	40 years
Building improvements	20 years
Equipment	5 to 25 years

Any interest expense incurred from borrowing funds for capital projects is capitalized.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Intangible Assets

Intangible assets of the Organization are stated at cost less accumulated amortization. Contributed property is recorded at the fair value at the date of the gift. When intangible assets no longer contribute to the Organization's ability to provide services, its carrying amount is written down to its residual value.

The Organization amortizes its intangible assets over its estimated useful life of 5 years.

Fund Accounting

The accounts of the Organization are maintained in accordance with the principles of fund accounting in order to observe the limitations and restrictions placed on the use of available resources. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into separate funds in accordance with specified activities or objectives. The Organization has combined funds with similar characteristics into two major fund groups as follows:

- i) Endowments – consists primarily of donations received from corporations (Note 14);
- ii) Operating – funds received primarily through the efforts of fundraising and are not restricted for any specific purpose except for restricted funds accounted for using the deferral method of accounting.

3. DISCONTINUED OPERATIONS

On March 31, 2014, the Organization closed the bingo operations. Bingo is a separate operation within the gaming operations. Management committed to a plan to close the bingo operations in January 2014 given the historical losses.

4. GOVERNMENT REMITTANCES AND REBATES

Government rebates of \$21,474 (2014 - \$16,689) are reflected in accounts receivable. Included in accounts payable and accrued liabilities are the amounts payable in respect to government remittances of \$6,684 (2014 - \$2,964).

Variety - The Children's Charity (Ontario)
Notes to Non-consolidated Financial Statements
September 30, 2015

5. ENDOWMENT INVESTMENTS AND INVESTMENT

Endowment investments and investment are comprised of the following:

	2015	2014
Endowment		
Variable income securities	\$ 402,073	\$ 408,596
Investments		
Variable income securities	2,201,876	1,088,899
Time share	17,083	17,083
	2,218,959	1,105,982
	\$ 2,621,032	\$ 1,514,578

Variable income securities are held in a high interest savings account, which bears interest at a variable rate and guaranteed investment certificates, which bear a fixed interest rate. Accordingly the investments held in the operating fund are presented as a current asset. The endowment investments are contributions described in Note 14.

6. MORTGAGES RECEIVABLE

On April 8, 2015, the Kelvin Avenue property was sold to a third party and the Organization recovered the full principal balance of the mortgage receivable, including recovery of the provision for the estimated impairment of the mortgage receivable recorded as at September 30, 2014 in the amount of \$130,000.

7. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2015	Net 2014
Land	\$ 2	\$ -	\$ 2	\$ 2
Building	2,852,869	2,746,496	106,373	177,696
Building improvements	13,949,155	8,184,401	5,764,754	6,068,827
Equipment	2,112,378	1,710,331	402,047	360,812
	\$18,914,404	\$12,641,228	\$ 6,273,176	\$ 6,607,337

Specific capital assets including land and building at 3701 Danforth Avenue are nominally owned by Variety Club of Ontario – Tent 28 ("Tent 28"). Tent 28 has no beneficial interest in the properties and is acting only as an agent for the Organization.

Capitalized interest of \$29,650 (2014 - \$46,218) is included in building improvements.

Variety - The Children's Charity (Ontario)
Notes to Non-consolidated Financial Statements
September 30, 2015

8. INTANGIBLE ASSETS

	Cost	Accumulated Amortization	Net 2015	Net 2014
Software	243,214	-	243,214	-

The intangible assets were not in use by the Organization as at September 30, 2015, amortization will start once the assets are in use.

9. DUE FROM/TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS

Due to related parties:

	2015	2014
Variety Village	\$ 172,332	\$ 99,322

Amounts due from related parties are due on demand, unsecured and non-interest bearing.

Variety Village is economically dependent on funding from the Organization. As a result, the Organization funds a substantial portion of Variety Village's operations. Contributions provided by the Organization for the year ended September 30, 2015 were \$1,471,969 (2014 - \$1,488,980).

The facilities and other capital assets are held for use by Variety Village. The Organization allocates the benefit in an amount equal to the amortization expense of the facilities and capital assets to Variety Village.

Benefit allocated to Variety Village for the year ended September 30, 2015 was \$706,809 (2014 - \$689,654) and is included in the total contributions of \$1,471,969 (2014 - \$1,488,980).

Shared expenses with Variety Village are recognized as related party transactions, including administration and fundraising, salaries and benefits, office and general, insurance and professional fees. The Organization has allocated administration salaries and benefits of \$469,044 (2014 - \$478,919) and fundraising salaries and benefits of \$137,141 (2014 - \$122,934) to Variety Village. Variety Village has allocated fundraising salaries and benefits of \$30,195 (2014 - \$30,195) to the Organization.

During the year the Organization contributed \$2,079 (2014 - \$12,485) to Tent 28.

Variety - The Children's Charity (Ontario)
Notes to Non-consolidated Financial Statements
September 30, 2015

10. LONG-TERM DEBT

	2015	2014
Bank credit facility, bearing fixed interest at 3.75% per annum, due October 1, 2016 with monthly repayments, including principal and interest, of \$33,300, based on a 110 month amortization period. This debt is secured by the assets held by the Organization and the lender has first ranking over all personal property of the Organization. The debt is guaranteed by Tent 28 and Variety Village.	\$ 2,783,957	\$ 4,066,649
Less: Current portion	296,609	1,285,881
	\$ 2,487,348	\$ 2,780,768

Future principal repayments are as follows:

2016	\$ 296,609
2017	2,487,348
	\$ 2,783,957

11. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent externally restricted donations related to expenses of future periods. A significant portion of the balance relates to contributions received for a repairs and maintenance project not started at year end.

	2015	2014
Balance, beginning of year	\$ 42,436	\$ 42,293
Deferred contributions received	86,830	34,951
Amortization	-	(34,808)
Balance, end of year	\$ 129,266	\$ 42,436

12. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred capital contributions relate to contributions received for renovations to the Facilities and are currently recognized as revenue on a straight-line basis based on the amortization rate of the related assets.

	2015	2014
Balance, beginning of year	\$ 1,019,016	\$ 1,040,815
Contributions received	408,707	43,644
Amortization	(83,940)	(65,443)
Balance, end of year	\$ 1,343,783	\$ 1,019,016

Variety - The Children's Charity (Ontario)
Notes to Non-consolidated Financial Statements
September 30, 2015

13. DEFERRED GOVERNMENT GRANTS RELATED TO CAPITAL ASSETS

The Organization has received various government grants for renovations to the Facilities. These grants are currently recognized as revenue on a straight-line basis based on the amortization rate of the related assets.

	2015	2014
Balance, beginning of year	\$ 1,319,880	\$ 1,468,626
Amortization	(148,746)	(148,746)
Balance, end of year	\$ 1,171,134	\$ 1,319,880

14. ENDOWMENTS

All of the net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the principal be maintained intact. Investment income on the assets may be used by the Organization for general purposes.

The balance of the endowment fund is \$401,181 (2014 - \$401,181) (Note 5).

Variety - The Children's Charity (Ontario)
Notes to Non-consolidated Financial Statements
September 30, 2015

15. CHANGES IN NON-CASH OPERATING BALANCES

	2015	2014
Increase in accounts receivable	\$ (401,735)	\$ (102,227)
Decrease (increase) in prepaid expenses and supplies	6,547	(2,679)
Change in due from/to related parties (Note 9)	73,010	123,831
Increase (decrease) in accounts payable and accrued liabilities	18,660	(113,249)
Increase in deferred contributions	86,830	143
	\$ (216,688)	\$ (94,181)

16. COMMITMENTS

The Organization has obligations under various lease agreements for equipment as follows:

2016	\$ 13,251
2017	13,251
2018	6,626
	\$ 33,128

Variety - The Children's Charity (Ontario)
Notes to Non-consolidated Financial Statements
September 30, 2015

17. NON-CONSOLIDATED CONTROLLED ENTITIES

The Organization exercises control over Variety Village and Variety Club of Ontario - Tent 28 by virtue of a common Board of Directors and through the Organization's control and direction of resources. Both entities are registered under the Laws of Ontario as corporations without share capital. Variety Village is a not-for-profit organization and is engaged in providing physically integrated activity programs for disabled and able-bodied participants to improve body function, fitness and social well-being. Variety Club of Ontario - Tent 28 is a not-for-profit organization, which coordinated the membership and general activities of the Variety Club. These functions have been transferred to the Organization. Variety Village is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes. Variety Club of Ontario - Tent 28 as a not-for-profit entity is also exempt from income taxes.

These non-consolidated financial statements do not include the financial results of these two entities.

Significant financial information is as follows:

	Variety Village	Variety Club of Ontario Tent 28	Total 2015	Total 2014
Financial position				
Assets	\$ 944,018	\$ 106	\$ 944,124	\$ 769,329
Liabilities	1,449,632	2,141	1,451,773	1,347,378
Total net assets	\$ (505,614)	\$ (2,035)	\$ (507,649)	\$ (578,049)
<hr/>				
			2015	2014
Results of operations				
Total revenue	\$ 5,713,328	\$ 2,079	\$ 5,715,407	\$ 5,683,737
Total expenses	5,642,989	2,018	5,645,007	5,736,335
Excess (deficiency) of revenue over expenses	\$ 70,339	\$ 61	\$ 70,400	\$ (52,598)
<hr/>				
Cash flows				
Cash from (used in)				
Operating activities	\$ (474,925)	\$ (2)	\$ (474,927)	\$ (684,752)
Financing activities	570,352	-	570,352	677,132
Investing activities	(50,989)	-	(50,989)	(15,191)
Increase (decrease) in cash	\$ 44,438	\$ (2)	\$ 44,436	\$ (22,811)

18. FINANCIAL INSTRUMENTS

Credit Risk

The Organization is exposed to credit risk in the event of non-payment for their accounts receivable. Management has adopted credit policies in an effort to minimize those risks.

19. SUBSEQUENT EVENT

Subsequent to year end the Charity received notification of a bequest to the Charity estimated to be \$400,000. In November an interim payout of \$300,000 was received. The conditions giving rise to this bequest did not exist at year end, accordingly the amount was not accrued in these financial statements.

20. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation. Excess (deficiency) of revenue over expenses have not been affected by this reclassification.

Variety - The Children's Charity (Ontario)
Non-consolidated Schedule of Fundraising - Schedule 1
Year Ended September 30, 2015

	Revenue	Expenses	2015 Net	2014 Net
Events				
Pizza Nova Day	94,662	847	93,815	82,591
World's Greatest Holiday Party	55,473	14,123	41,350	28,701
Other events	15,845	1,693	14,152	1,451
Allocation of revenue to deferred contributions	(17,500)	-	(17,500)	(6,952)
	165,980	16,663	131,817	105,791
Annual campaigns				
Foundations	1,500	-	1,500	11,000
Gold Hearts	585	-	585	906
Individuals	3,380	-	3,380	3,540
Unsolicited contributions	29,244	573	28,671	73,683
Planned gifts	90,000	-	90,000	184,967
Corporate	55,888	-	55,888	5,350
Federal government grant	50,000	-	50,000	-
Grant amortization (Notes 12 and 13)	232,685	-	232,685	214,189
Allocation of revenue to deferred contributions	(100,371)	-	(100,371)	(10,568)
	362,911	573	362,338	483,067
	\$ 528,891	\$ 17,236	494,155	588,858
Expenses				
Salaries and benefits			137,000	196,161
Office and general			9,474	12,205
			146,474	208,366
Excess of fundraising revenue over expenses			\$ 347,681	\$ 380,492

Variety - The Children's Charity (Ontario)
Non-consolidated Schedule of Gaming Operations - Schedule 2
Year Ended September 30, 2015

	2015	2014
Gross revenue		
Nevada	\$ 263,286	\$ 277,691
Less: licence and management fees	144,894	150,441
	118,392	127,250
Administrative expenses		
Bank charges and interest	-	138
Office and general	-	2,170
	-	2,308
Excess of gaming revenue over expenses	\$ 118,392	\$ 124,942

