

Variety Village

Financial Statements

For the Year Ended September 30, 2015

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Variety Village

We have audited the accompanying financial statements of Variety Village (the "Organization") which comprise the statement of financial position as at September 30, 2015 and the statements of operations, changes in net deficiency and cash flows for the year then ended and 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.

Auditor's 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 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 financial statements. The procedures selected depend on the auditor's 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, the auditor considers 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenues from fundraising events, 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 revenue, excess (deficiency) of revenue over expenses and cash flows from operating activities for the year ended September 30, 2015, current assets as at September 30, 2015 and net deficiency 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 financial statements present fairly, in all material respects, the financial position of Variety Village 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 Village
Statement of Financial Position
As at September 30, 2015

	2015	2014
Assets		
Current		
Cash	\$ 220,061	\$ 175,623
Accounts receivable (Note 5)	296,501	225,873
Prepaid expenses	92,910	136,856
Due from related party (Note 6)	172,332	99,322
	781,804	637,674
Endowment investments (Note 3)	92,194	92,194
Capital assets (Note 4)	70,020	39,353
	\$ 944,018	\$ 769,221

Liabilities

Current		
Accounts payable and accrued liabilities (Note 5)	\$ 528,251	\$ 336,596
Deferred revenue (Note 7)	604,620	565,673
	1,132,871	902,269
Deferred contributions (Note 8)	316,761	442,905
	1,449,632	1,345,174

Net deficiency

Endowments (Note 9)	92,194	92,194
Operating	(597,808)	(668,147)
	(505,614)	(575,953)
	\$ 944,018	\$ 769,221

Commitments (Note 11)
Guarantee (Note 13)

Approved by the Board

_____ Chair

_____ Treasurer

Variety Village
Statement of Changes in Net Deficiency
Year Ended September 30, 2015

	Endowments (Note 9)	Operating	2015	2014
Net assets (deficiency), beginning of year	\$ 92,194	\$ (668,147)	\$ (575,953)	\$ (513,002)
Excess (deficiency) of revenue over expenses	-	70,339	70,339	(62,951)
Net assets (deficiency), end of year	\$ 92,194	\$ (597,808)	\$ (505,614)	\$ (575,953)

Variety Village
Statement of Operations
Year Ended September 30, 2015

	2015	2014
Revenue		
Funding from Variety - The Children's Charity (Ontario) (Note 6)	\$ 1,471,969	\$ 1,488,980
Fitness club membership	1,738,370	1,832,397
Program fees and contributions	952,723	812,040
Team fees and contributions	339,547	689,127
Education	470,912	440,250
Fundraising, net (Schedule 1)	309,601	179,451
Rental	199,387	148,149
Other	230,819	80,818
	5,713,328	5,671,212
Expenses		
Fitness club (Schedule 2)	1,256,197	1,260,472
Programs (Schedule 3)	992,942	845,148
Teams (Schedule 4)	314,109	715,140
Education (Schedule 5)	232,719	254,625
Administration (Schedule 6)	733,458	735,167
Building services (Schedule 7)	1,386,433	1,219,444
Amortization	20,322	14,513
Benefit of Variety - The Children's Charity (Ontario) capital assets (Note 6)	706,809	689,654
	5,642,989	5,734,163
Excess (deficiency) of revenue over expenses	\$ 70,339	\$ (62,951)

Variety Village
Statement of Cash Flows
Year Ended September 30, 2015

	2015	2014
Operating activities		
Excess (deficiency) of revenue over expenses	\$ 70,339	\$ (62,951)
Non-cash items:		
Amortization of deferred contributions (Note 8)	(696,496)	(554,197)
Amortization of capital assets	20,322	14,513
Change in non-cash operating working capital items (Note 10)	130,910	(82,125)
	<u>(474,925)</u>	<u>(684,760)</u>
Investing activity		
Purchase of capital assets	(50,989)	(15,191)
Financing activity		
Deferred contributions received (Note 8)	570,352	677,132
Net change in cash	44,438	(22,819)
Cash, beginning of year	175,623	198,442
Cash, end of year	\$ 220,061	\$ 175,623

1. NATURE OF THE ORGANIZATION

Variety Village (the "Organization") is incorporated under the laws of Ontario without share capital. It is a not-for-profit organization, and has a primary focus to ensure that individuals of all abilities have equal and accessible opportunities to become active and contributing members of the community, develop and learn physical as well as social skills, obtain the support and resources necessary to achieve and maintain good health and well-being as well as have their physical, emotional and social needs met.

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

Variety – The Children's Charity (Ontario) (the "Charity") controls the Organization by virtue of a common Board of Directors.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Management Estimates

The preparation of these 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 the Charity. 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 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 and endowment investments. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and due to related party

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. 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.

Endowment contributions are recognized as direct increases in endowment net assets.

Fitness club membership, program and team fees are recognized in the period to which the services relate. Deferred revenue is comprised of the portion of membership, program and team fees received for the following fiscal year.

Education revenue includes revenue collected from education programs held as well as the teaching of courses at universities and colleges. Revenue is recognized when the program occurs.

Rental revenue consists of the lease of specific areas of the facility for various events and functions and is recognized when the event or function takes place.

Fundraising revenue and funding from the Charity is included in revenue when the amount can be reasonably estimated and ultimate collection is reasonably assured.

The value of donated materials and services are recorded at their fair value in the financial statements when a fair value can be reasonably estimated, except for the benefit from the use of the Charity's capital assets (Note 6), the materials and services are used in the normal course of operations and would otherwise have been purchased.

Prepaid Expenses

Costs directly related to the development of events are included in prepaid expenses. These costs are expensed when the event is held. Such costs are expensed immediately when there is insufficient evidence that the costs are recoverable.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The Organization amortizes over its estimated useful life as follows:

Fieldhouse equipment 5 years - straight line basis

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 the following funds:

- i) Endowments – consists primarily of donations received from individuals (Note 9);
- ii) Operating – funds received are primarily through fitness club memberships, program and team fees and fundraising. Any externally restricted funds included in the operating fund are accounted for using the deferral method of accounting.

3. ENDOWMENT INVESTMENTS

Endowment investments are comprised of the following:

	2015	2014
Endowment		
Variable income securities	\$ 92,194	\$ 92,194

Variable income securities are held in an annual GIC which bears a fixed interest rate of 1.46%. In 2014, the variable income securities were held in a high-interest savings fund and a money market fund bearing variable interest rate.

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2015	Net 2014
Fieldhouse equipment	\$ 227,630	\$ 157,610	\$ 70,020	\$ 39,353

5. GOVERNMENT REMITTANCES AND REBATES

Government rebates of \$11,582 (2014 - \$12,257) are reflected in accounts receivable. Included in accounts payable and accrued liabilities are the amounts payable in respect to government remittances of \$5,782 (2014 - \$14,146).

6. DUE TO RELATED PARTY AND RELATED PARTY TRANSACTIONS

Amounts receivable from the Charity are unsecured and non-interest bearing. The transactions are in normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

The Charity funds a substantial portion of Variety Village's revenue. As a result, the Organization is economically dependent on funding from the Charity. Contributions provided to the Organization for the year ended September 30, 2015 were \$1,471,969 (2014 - \$1,488,980) of which \$706,809 (2014 - \$689,654) relates to the use of the capital assets of the Charity.

The Facilities and other capital assets are held by the Charity for use by the Organization. The Organization recorded this benefit in an amount equal to the amortization expense of the facilities and capital assets in the accounts of the Charity. Benefit allocated to the Organization for the year ended September 30, 2015 was \$706,809 (2014 - \$689,654).

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

7. DEFERRED REVENUE

Deferred revenue includes fitness club membership fees, program fees and team fees, and is recognized as revenue over the period to which they relate. Deferred revenue also includes sponsorships for events that will occur after the year end.

	2015	2014
Balance, beginning of year	\$ 565,673	\$ 533,641
Cash receipts	2,877,560	2,906,086
Amounts recognized as revenue	(2,838,613)	(2,874,054)
Balance, end of year	\$ 604,620	\$ 565,673

8. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent externally restricted donations related to specified expenses of future periods. Specified expenses relate to various programs and teams of the Organization.

	2015	2014
Balance, beginning of year	\$ 442,905	\$ 319,970
Cash receipts	570,352	677,132
Amounts recognized as revenue	(696,496)	(554,197)
Balance, end of year	\$ 316,761	\$ 442,905

9. 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 \$92,194 (2014 - \$92,194) (Note 3).

10. CHANGES IN NON-CASH OPERATING BALANCES

	2015	2014
Decrease (increase) in accounts receivable	\$ (70,628)	\$ 49,108
Decrease in prepaid expenses	43,946	2,333
Increase (decrease) in accounts payable and accrued liabilities	191,655	(52,174)
Increase in deferred revenue (Note 7)	38,947	32,032
Change in due to/from related party (Note 6)	(73,010)	(113,424)
	\$ 130,910	\$ (82,125)

11. COMMITMENTS

The Organization has obligations under various lease agreements and commitments for services as follows:

2016	\$ 170,203
2017	11,545
	\$ 181,748

12. FINANCIAL INSTRUMENTS

Credit Risk

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

13. GUARANTEE

During the year, the Charity renewed its bank credit facility in the amount of \$3,043,605 after making a repayment of \$1,000,000. The outstanding debt as at September 30, 2015 was \$2,783,957. The debt is secured by the assets held by the Charity, first ranking over all personal property of the Charity and guaranteed by the Organization and Variety Club of Ontario - Tent 28.

14. COMPARATIVE FIGURES

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

Variety Village
Schedule of Fundraising - Schedule 1
Year Ended September 30, 2015

	Revenue	Expenses	2015	2014
Events				
Golf tournaments	\$ 104,973	\$ 2,608	\$ 102,365	\$ 110,852
Walk Roll Run	67,889	15,361	52,528	140,402
Luncheon	142,155	22,306	119,849	46,635
Toronto Sun fund	28,809	164	28,645	28,228
Other events	82,711	13,456	69,255	126,560
Allocation of event revenue to department revenue lines ⁽¹⁾	(146,645)	-	(146,645)	(151,409)
	279,892	53,895	225,997	301,268
Annual Campaigns				
Foundations	130,661	-	130,661	65,097
Individuals	65,000	-	65,000	77,500
Unsolicited contributions	127,275	2,301	124,974	66,632
Planned gifts	190,732	-	190,732	5,890
Direct mail	32,281	8,223	24,058	21,674
Corporate	56,653	500	56,153	45,538
Government grants	215,426	-	215,426	125,401
Allocation of annual campaigns revenue to department revenue lines ⁽¹⁾	(464,623)	-	(464,623)	(303,002)
	353,405	11,024	342,381	104,730
	\$ 633,297	\$ 64,919	568,378	405,998
Expenses				
Salaries and benefits (Note 6)			232,018	213,748
Professional fees (Note 6)			640	670
Office and general (Note 6)			26,119	12,129
			258,777	226,547
Excess of fundraising revenue over expenses			\$ 309,601	\$ 179,451

⁽¹⁾ Allocation of annual campaigns and events revenue are reported in the program and team fees revenue.

Variety Village
Schedule of Fitness Club Expenses - Schedule 2
Year Ended September 30, 2015

	2015	2014
Salaries and benefits	\$ 1,066,007	\$ 1,063,748
Kiosk cost of sales	67,766	74,200
Equipment, repairs and supplies	44,306	38,426
Advertising and promotion	78,118	84,098
	\$ 1,256,197	\$ 1,260,472

Variety Village
Schedule of Program Expenses - Schedule 3
Year Ended September 30, 2015

	2015	2014
Salaries and benefits	\$ 872,551	\$ 761,557
Employee related expenses	4,139	2,009
Equipment, repairs and supplies	20,484	21,662
Professional fees	9,912	7,861
General office supplies	6,534	7,583
Travel	9,508	11,522
Other	69,814	32,954
	<hr/> \$ 992,942	<hr/> \$ 845,148

Variety Village
Schedule of Teams Expenses - Schedule 4
Year Ended September 30, 2015

	2015	2014
Salaries and benefits	\$ 178,443	\$ 399,743
Equipment, repairs and supplies	29,130	25,753
Travel	13,946	92,150
Tournament and registration costs	34,803	81,506
Other	57,787	115,988
	\$ 314,109	\$ 715,140

Variety Village
Schedule of Education Expenses - Schedule 5
Year Ended September 30, 2015

	2015	2014
Salaries and benefits	\$ 225,636	\$ 239,330
Program costs	7,083	15,295
	\$ 232,719	\$ 254,625

Variety Village
Schedule of Administration Expenses - Schedule 6
Year Ended September 30, 2015

	2015	2014
Salaries and benefits (Note 6)	\$ 469,044	\$ 478,919
General office (Note 6)	123,267	69,130
Insurance (Note 6)	121,328	110,266
Professional fees (Note 6)	19,819	76,852
	\$ 733,458	\$ 735,167

Variety Village
Schedule of Building Services Expenses - Schedule 7
Year Ended September 30, 2015

	2015	2014
Salaries and benefits	\$ 325,688	\$ 376,296
Equipment, repairs and supplies	399,330	249,452
Cleaning service	216,929	189,451
Utilities	444,486	404,245
	\$ 1,386,433	\$ 1,219,444

