

Variety Village

Financial Statements

For the Year Ended September 30, 2018



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Variety Village

We have audited the accompanying financial statements of Variety Village which comprise the statement of financial position as at September 30, 2018 and the statements of operations, changes in net assets (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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Variety Village as at September 30, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
December 17, 2018
Toronto, Ontario

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Variety Village
Statement of Financial Position
As at September 30, 2018

	2018	2017
Assets		
Current		
Cash and cash equivalents	\$ 562,537	\$ 699,358
Accounts receivable (Note 3)	78,704	221,991
Investments (Note 4)	224,272	221,850
Prepaid expenses	81,333	122,906
Due from related parties (Note 5)	12	12
	946,858	1,266,117
Endowment investments (Note 4)	104,902	92,194
Capital assets (Note 6)	149,134	104,743
	\$ 1,200,894	\$ 1,463,054

Liabilities

Current		
Accounts payable and accrued liabilities (Note 3)	\$ 321,916	\$ 290,775
Deferred revenue	442,138	464,631
	764,054	755,406
Deferred contributions (Note 7)	675,181	579,041
	1,439,235	1,334,447

Net Assets (Deficiency)

Endowments (Note 8)	104,902	92,194
Invested in capital assets	149,134	104,743
Operating	(492,377)	(68,330)
	(238,341)	128,607
	\$ 1,200,894	\$ 1,463,054

Guarantee (Note 11)

Approved by the Board

Chair

Treasurer

Variety Village
Statement of Changes in Net Assets (Deficiency)
Year Ended September 30, 2018

	Endowments	Invested in Capital Assets	Operating	Total 2018	Total 2017
	(Note 8)				
Net assets, beginning of year	\$ 92,194	\$ 104,743	\$ (68,330)	\$ 128,607	\$ 249,059
Contributions received	15,008	-	-	15,008	-
Transfer to VCC reserve	(2,300)	-	-	(2,300)	-
Excess (deficiency) of revenue over expenses	-	(44,672)	(334,984)	(379,656)	(120,452)
Purchase of capital assets	-	89,063	(89,063)	-	-
Net assets, end of the year	\$ 104,902	\$ 149,134	\$ (492,377)	\$ (238,341)	\$ 128,607

Variety Village
Statement of Operations
Year Ended September 30, 2018

	2018	2017
Revenue		
Funding from Variety - The Children's Charity (Ontario) (Note 5)	\$ 490,406	\$ 489,235
Provincial funding	1,000,000	1,000,000
Fitness club membership	1,852,988	1,827,977
Program fees and contributions	1,043,073	923,429
Team fees and contributions	527,012	387,450
Education	497,100	529,065
Fundraising, net (Schedule 1)	282,337	472,142
Rental	221,749	254,140
Other	89,527	112,072
	6,004,192	5,995,510
Expenses		
Fitness club (Schedule 2)	1,407,534	1,304,359
Programs (Schedule 3)	1,096,781	1,003,306
Teams (Schedule 4)	560,756	406,198
Education (Schedule 5)	213,505	211,281
Administration (Schedule 6)	1,016,655	1,133,664
Building services (Schedule 7)	1,232,519	1,241,393
Benefit of Variety - The Children's Charity (Ontario) capital assets (Note 5)	811,426	776,959
Amortization	44,672	38,802
	6,383,848	6,115,962
Excess (deficiency) of revenue over expenses	\$ (379,656)	\$ (120,452)

Variety Village
Statement of Cash Flows
Year Ended September 30, 2018

	2018	2017
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses	\$ (379,656)	\$ (120,452)
Non-cash items:		
Amortization of deferred contributions (Note 7)	(489,504)	(379,454)
Amortization of capital assets	44,672	38,802
Deferred contributions received (Note 7)	585,644	502,184
	(238,844)	41,080
Change in non-cash operating working capital items (Note 9)	193,508	632,447
	(45,336)	673,527
Investing activities		
Purchase of capital assets	(89,063)	-
Purchase of investment	(17,430)	(221,850)
	(106,493)	(221,850)
Financing		
Endowment contributions received	15,008	-
Net change in cash and cash equivalents	(136,821)	451,677
Cash and cash equivalents, beginning of year	699,358	247,681
Cash and cash equivalents, end of year	\$ 562,537	\$ 699,358

1. NATURE OF THE ORGANIZATION

Variety Village (the "Organization") is incorporated under the laws of Ontario without share capital. 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 and through the Charity's control and direction of resources.

For over 70 years, the Charity has been breaking down barriers to accessibility for education, sport and fitness and now throughout communities across Ontario. Through participation in sport, fitness and recreation, the Charity helps children with disabilities build their skills and confidence to become active and contributing members of the community, develop and learn physical as well as social skills, and have their emotional and social needs met.

The Charity delivers its programming at the Organization and throughout communities across Ontario. In addition to delivering programs for the Charity, the Organization operates a number of social enterprises to support the charitable mission; including, a Fitness Club, the Rehabilitation to Community Program, an Active Aging Club, and an Adult Day Program.

2. SIGNIFICANT ACCOUNTING POLICIES

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

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, and are required to be maintained on a permanent basis. Income derived from endowment investments is either maintained in the endowment fund or available to support the Organization's activities, depending on the endowment agreement.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue Recognition (Cont'd)

The value of donated materials and services (gifts in kind) 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. Donated materials and services in the amount of \$16,328 (2017 - \$81,876) were recorded in the accounts.

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 of donations received that are permanent in nature (Note 8);
- 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.

Cash and Cash Equivalents

Cash and cash equivalents represent demand deposits. Cash equivalents consist of cashable term deposits with original maturities of one year or less and present an insignificant risk of change in value.

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 over its estimated useful life as follows:

Fieldhouse equipment 5 years - straight line basis

Volunteer Services

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 cash and cash equivalents, accounts receivable, investments, due from related party and endowment investments. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

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 amortized cost 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.

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.

3. GOVERNMENT REMITTANCES AND REBATES

Government rebates of \$20,538 (2017 - \$18,032) is included in accounts receivable. Included in accounts payable and accrued liabilities are government remittances relating to payroll of \$Nil (2017 - \$1,977).

4. INVESTMENTS AND ENDOWMENT INVESTMENTS

Endowment investments and investments are comprised of the following:

	2018	2017
Investments		
Interest bearing savings account	\$ 224,272	\$ 221,850
Endowment investments		
Guaranteed investment certificates	-	92,194
Interest bearing savings accounts	104,902	-
	\$ 329,174	\$ 314,044

Investments are held in an interest bearing savings account, which bears interest at a variable rate. Endowment investments are held in interest bearing savings accounts, segregated by endowment fund, and bear interest at a variable rate. The endowment investments are contributions described in Note 8.

5. DUE FROM RELATED PARTY AND RELATED PARTY TRANSACTIONS

Due from related party:

	2018	2017
Variety Club of Ontario - Tent 28	\$ 12	\$ 12

Variety Club of Ontario - Tent 28 is an organization controlled by the Charity by virtue of a common board of directors and through the Charity's control and direction of resources.

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

The Charity funds approximately 8% (2017 – 8%) of Variety Village's revenue. The grant provided by the Charity to the Organization for the year ended September 30, 2018 totalled \$490,406 (2017 - \$489,235).

Included in the grant are the following transactions -

- The facilities and other capital assets are held by the Charity for use by the Organization. The Organization recognizes the benefit in an amount equal to the amortization expense of the facilities and capital assets in the accounts of the Charity. The benefit allocated to the Organization during the year was \$811,426 (2017 - \$776,959).
- Shared expenses with the Charity are recognized as related party transactions, including administration, fundraising, salaries and benefits, and office and general expenses. The Charity has allocated administrative and fundraising salaries and benefits of \$209,492 (2017 - \$751,560) to the Organization. The Organization has allocated fundraising salaries and benefits of \$253,787 (2017 - \$62,435) to the Charity.
- During the year, the Organization advanced \$272,334 (2017 - \$913,687) to the Charity.

Variety Village
Notes to Financial Statements
September 30, 2018

5. DUE TO RELATED PARTY AND RELATED PARTY TRANSACTIONS (Cont'd)

- Other miscellaneous transfers of revenues and reimbursements of expenses totalled (\$4,390) (2017 - \$183,478).

6. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2018	Net 2017
Fieldhouse equipment	\$ 420,282	\$ 271,148	\$ 149,134	\$ 104,743

7. 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.

	2018	2017
Balance, beginning of year	\$ 579,041	\$ 456,311
Amounts received during the year	585,644	502,184
Amounts recognized as revenue in the year	(489,504)	(379,454)
Balance, end of year	\$ 675,181	\$ 579,041

8. ENDOWMENTS

All of the net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the principal be maintained intact. The investment income on one of the assets is partially restricted and on the other it may be used by the Organization for general purposes.

The balance of the endowment fund is \$104,902 (2017 - \$92,194) (Note 4).

9. CHANGES IN NON-CASH OPERATING BALANCES

	2018	2017
(Increase) decrease in accounts receivable	\$ 143,287	\$ (136,760)
(Increase) decrease in prepaid expenses	41,573	(37,918)
(Increase) decrease in contributions receivable	-	600,000
Increase (decrease) in accounts payable and accrued liabilities	31,141	(110,456)
Increase (decrease) in deferred revenue	(22,493)	70,952
(Increase) decrease in due from related parties	-	246,629
	\$ 193,508	\$ 632,447

10. 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.

11. GUARANTEE

The Charity has an established facility agreement at year end. At September 30, 2018 the loan balance is \$1,247,722 (2017 - \$1,359,995). There is also an outstanding letter of credit in the amount of \$35,000 (2017 - \$35,000). During the year, a revolving line of credit with a credit limit of \$350,000 was added to the existing facility agreement. At September 30, 2018, there is no balance outstanding on this line of credit. The facility is secured by the assets held by the Charity, and guaranteed by the Organization and Variety Club of Ontario - Tent 28.

12. COMPARATIVE FIGURES

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

Variety Village
Schedule of Fundraising - Schedule 1
Year Ended September 30, 2018

	Revenue	Expenses	2018	2017
Events				
Golf tournaments	\$ -	\$ -	\$ -	\$ 111,326
Pizza Nova day	113,602	813	112,789	98,681
Luncheon	-	-	-	51,245
Toronto Sun fund	35,753	-	35,753	29,399
Other events	26,589	7,803	18,786	96,042
	175,944	8,616	167,328	386,693
Annual Campaigns				
Unsolicited contributions	125,485	12,535	112,950	68,305
Planned gifts	2,970	-	2,970	33,635
Direct mail	25,040	5,968	19,072	20,583
Corporate	2,930	-	2,930	-
Government grants	17,428	-	17,428	41,195
Allocation of revenue (to) from deferred revenue ⁽¹⁾	3,000	-	3,000	190
	176,853	18,503	158,350	163,908
	\$ 352,797	\$ 27,119	325,678	550,601
Expenses				
Salaries and benefits			37,109	27,454
Professional fees			855	42,970
Office and general			5,377	8,035
			43,341	78,459
Excess of fundraising revenue over expenses			\$ 282,337	\$ 472,142

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

Variety Village
Schedule of Fitness Club Expenses - Schedule 2
Year Ended September 30, 2018

	2018	2017
Salaries and benefits	\$ 1,195,403	\$ 1,075,176
Kiosk cost of sales	95,734	100,692
Equipment, repairs and supplies	26,025	28,617
Advertising and promotion	90,372	99,874
	\$ 1,407,534	\$ 1,304,359

Variety Village
Schedule of Program Expenses - Schedule 3
Year Ended September 30, 2018

	2018	2017
Salaries and benefits	\$ 998,796	\$ 897,132
Employee related expenses	6,307	10,581
Equipment, repairs and supplies	17,552	27,514
Professional fees	9,865	9,898
General office supplies	13,116	17,402
Travel	11,582	12,619
Other	39,563	28,160
	\$ 1,096,781	\$ 1,003,306

Variety Village
Schedule of Teams Expenses - Schedule 4
Year Ended September 30, 2018

	2018	2017
Salaries and benefits	\$ 427,726	\$ 318,039
Equipment, repairs and supplies	29,432	7,922
Travel	2,573	3,882
Tournament and registration costs	50,179	43,963
Other	50,846	32,392
	\$ 560,756	\$ 406,198

Variety Village
Schedule of Education Expenses - Schedule 5
Year Ended September 30, 2018

	2018	2017
Salaries and benefits	\$ 195,807	\$ 200,122
Program costs	17,698	11,159
	\$ 213,505	\$ 211,281

Variety Village
Schedule of Administration Expenses - Schedule 6
Year Ended September 30, 2018

	2018	2017
Salaries and benefits	\$ 707,842	\$ 733,278
General office	150,594	240,112
Insurance	130,258	128,933
Professional fees	27,961	31,341
	\$ 1,016,655	\$ 1,133,664

Variety Village
Schedule of Building Services Expenses - Schedule 7
Year Ended September 30, 2018

	2018	2017
Salaries and benefits	\$ 345,731	\$ 328,775
Equipment, repairs and supplies	225,973	222,778
Cleaning service	202,450	218,080
Utilities	458,365	471,760
	\$ 1,232,519	\$ 1,241,393
