

Variety Village

Financial Statements

For the Year Ended September 30, 2020



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Variety Village

Opinion

We have audited the financial statements of Variety Village, (the "Organization"), which comprise the statement of financial position as at September 30, 2020 and the statements of operations, changes in net assets (deficiency) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at September 30, 2020, and results of its 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization 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 the Organization'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 the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's 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 auditor's 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 these financial statements.

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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 the Organization'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 the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Organization 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.

We 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.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
December 16, 2020
Toronto, Ontario

Variety Village
Statement of Financial Position
As at September 30, 2020

	2020	2019
Assets		
Current		
Cash	\$ 152,652	\$ 474,898
Accounts receivable (Note 3)	250,524	90,927
Prepaid expenses	35,329	101,677
Due from related party (Note 5)	195,627	-
	634,132	667,502
Endowment investments (Note 4)	107,604	105,188
Tangible capital assets (Note 6)	142,144	142,067
	\$ 883,880	\$ 914,757
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 351,862	\$ 420,857
Due to related party (Note 5)	-	17,871
Deferred revenue	339,388	436,208
	691,250	874,936
Deferred contributions (Note 7)	471,998	458,393
Deferred contributions related to tangible capital assets (Note 8)	135,589	135,364
	1,298,837	1,468,693
Net Assets (Deficiency)		
Endowments (Note 4)	105,493	105,188
Invested in capital assets	6,555	6,703
Operating	(527,005)	(665,827)
	(414,957)	(553,936)
	\$ 883,880	\$ 914,757

Guarantee (Note 11)
COVID-19 (Note 12)

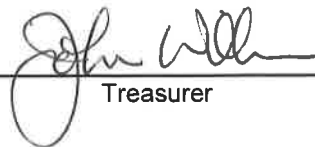
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Approved by the Board



Chair

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Treasurer

Variety Village
Statement of Changes in Net Assets (Deficiency)
Year Ended September 30, 2020

	Endowments (Note 4)	Invested in Capital Assets	Operating	Total 2020	Total 2019
Net assets (deficiency), beginning of year	\$ 105,188	\$ 6,703	\$ (665,827)	\$ (553,936)	\$ (238,341)
Deferred contributions received related to tangible capital assets (Note 8)	-	(87,495)	87,495	-	-
Endowment income	305	-	-	305	286
Excess (deficiency) of revenue over expenses	-	(3,988)	142,662	138,674	(315,881)
Purchase of tangible capital assets	-	91,335	(91,335)	-	-
Net assets (deficiency), end of the year	\$ 105,493	\$ 6,555	\$ (527,005)	\$ (414,957)	\$ (553,936)

Variety Village
Statement of Operations
Year Ended September 30, 2020

	2020	2019
Revenue		
Fitness club	\$ 1,279,278	\$ 2,225,474
Provincial funding	1,000,000	1,000,000
Funding from Variety - The Children's Charity (Ontario) (Note 5)	946,987	561,778
Program	725,082	1,266,963
Fundraising, net (Schedule 1)	712,844	74,351
Government COVID-19 subsidies (Note 12)	531,400	-
Team	334,772	498,763
Rental	170,500	220,071
Education	63,509	195,802
Other	56,231	92,360
	5,820,603	6,135,562
Expenses		
Fitness club (Schedule 2)	1,049,057	1,447,414
Programs (Schedule 3)	688,561	1,155,225
Teams (Schedule 4)	355,658	512,334
Education (Schedule 5)	149,929	244,722
Administration (Schedule 6)	1,042,694	997,597
Building services (Schedule 7)	1,578,294	1,247,185
Benefit of Variety - The Children's Charity (Ontario) capital assets (Note 5)	766,965	793,005
Amortization of tangible capital assets	50,771	53,961
	5,681,929	6,451,443
Excess (deficiency) of revenue over expenses	\$ 138,674	\$ (315,881)

Variety Village
Statement of Cash Flows
Year Ended September 30, 2020

	2020	2019
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses	\$ 138,674	\$ (315,881)
Non-cash items:		
Amortization of tangible capital assets	50,771	53,961
Amortization of deferred contributions related to tangible capital assets (Note 8)	(49,375)	(50,475)
Amortization of deferred contributions (Note 7)	(1,194,748)	(531,306)
Deferred contributions received (Note 7)	1,208,353	566,021
Deferred contributions related to tangible capital assets received (Note 8)	87,495	65,116
Loss on transfer of tangible capital assets to Variety - The Children's Charity (Ontario)	2,592	-
Endowment unrealized gain	(2,111)	-
Loss on write off of tangible capital assets	-	487
Change in non-cash operating working capital items (Note 9)	(472,562)	(13,237)
	(230,911)	(225,314)
Investing activities		
Purchase of tangible capital assets	(91,335)	(86,186)
Disposal of investments	-	223,861
	(91,335)	137,675
Net change in cash and cash equivalents	(322,246)	(87,639)
Cash, beginning of year	474,898	562,537
Cash, end of year	\$ 152,652	\$ 474,898

Variety Village
Notes to Financial Statements
September 30, 2020

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.

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 4);
- 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.

Revenue Recognition

The Organization follows the deferral method of accounting for contributions, which include donations, bequests, government grants 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.

Variety Village
Notes to Financial Statements
September 30, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue Recognition (Cont'd)

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.

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, 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 \$4,247 (2019 - \$12,791) were recorded in the accounts.

Tangible Capital Assets

On October 1, 2019, the Organization prospectively adopted the new accounting standards for tangible capital assets held by not-for-profit organizations. As a result, when conditions indicate a tangible capital asset's carrying value is impaired, it will be written down to its fair value or replacement cost, with the write-down recorded as an expense. Write-downs will not be reversed.

Tangible 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.

The Organization amortizes its tangible capital assets over their 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.

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

Variety Village
Notes to Financial Statements
September 30, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (Cont'd)

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 a 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 the allocation of shared expenses with the Charity. Actual results could differ from those estimates.

3. GOVERNMENT REMITTANCES AND REBATES

Government rebates of \$20,054 (2019 - \$10,090) is included in accounts receivable consisting of HST \$11,368 (2019 - \$755) and EHT \$8,686 (2019 - \$9,335).

Government grants also included in accounts receivable are the Canada Summer Jobs Grant of \$105,203 (2019 - \$70,898) and the Canada Emergency Wage Subsidy of \$108,367 (2019 - \$NIL).

4. ENDOWMENT INVESTMENTS

Endowment investments are comprised of the following:

	2020	2019
Interest bearing savings accounts	\$ -	\$ 105,188
Guaranteed investment certificates (GICs)	15,599	-
Mutual funds	92,005	-
	\$ 107,604	\$ 105,188

Endowment investments are held in guaranteed investment certificates and mutual funds, in adherence with the Organization's investment policy. The guaranteed investment certificates bear interest rates of 1.70% and 2.13% and mature on January 4, 2021.

Variety Village
Notes to Financial Statements
September 30, 2020

4. ENDOWMENT INVESTMENTS (Cont'd)

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 endowment is partially restricted and investment income on the other endowment is used by the Organization for general purposes.

The balance of the endowment fund is \$105,493 (2019 - \$105,188).

5. DUE (TO) FROM RELATED PARTY AND RELATED PARTY TRANSACTIONS

Due (to) from related party consists of the following:

	2020	2019
Variety - The Children's Charity	\$ 195,627	\$ (17,871)

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

The Charity funds approximately 13% (2019 - 10%) of Variety Village's revenue. The grant provided by the Charity to the Organization for the year ended September 30, 2020 totalled \$646,987 (2019 - \$561,778).

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 \$766,965 (2019 - \$793,005).
- Shared expenses with the Charity are recognized as related party transactions, including administration, fundraising, salaries and benefits, and office and general expenses. The Organization has allocated salaries and benefits of \$219,670 (2019 - \$417,334) to the Charity.
- During the year, the Organization received cash of \$19,360 (2019 - \$233,148) \$19,360 (2019 - \$233,148) from the Charity.
- During the year, the Organization transferred VOLT equipment and related capital contributions to the Charity at book value of \$37,895 (2019 - \$130,369), which was offset by a transfer of deferred capital contributions from the Charity to the Organization for the same amount.
- Other miscellaneous transfers of revenues and reimbursements of expenses totalled \$62,461 from the Charity (2019 - \$47,041 from the Organization).

Consistent with the direction of the Board and in support of the Charity's strategic plan, all donations, fundraising and bequests are now exclusively directed to the Charity. As such, commencing with the year ended September 30, 2020 and annually thereafter, the Board has determined to best support the Organization's programming by contributing to administration and fixed costs not covered by programming grants.

Variety Village
Notes to Financial Statements
September 30, 2020

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

The program funding provided by the Charity to the Organization for the year ended September 30, 2020 is approximately 30% of the program costs in the amount of \$300,000. A partial payment from the Charity during the year of \$120,000 results in a balance of \$180,000 included in the total balance due from the Charity as at September 30, 2020.

6. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2020	Net 2019
Fieldhouse equipment	\$ 491,680	\$ 349,536	\$ 142,144	\$ 142,067

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.

	2020	2019
Balance, beginning of year	\$ 458,393	\$ 423,678
Amounts received during the year	1,208,353	566,021
Amounts recognized as revenue in the year	(1,194,748)	(531,306)
Balance, end of year	\$ 471,998	\$ 458,393

8. DEFERRED CONTRIBUTIONS RELATED TO TANGIBLE CAPITAL ASSETS

Deferred capital contributions relate to contributions received (including government grants) for purchase of tangible capital assets and are recognized as revenue on a straight-line basis based on the amortization rate of the related assets.

	2020	2019
Balance, beginning of year	\$ 135,364	\$ 251,092
Contributions received	87,495	65,116
Amounts recognized as revenue in the year	(49,375)	(50,475)
Deferred contributions related to VOLT equipment transferred to VCC	(37,895)	(130,369)
Balance, end of year	\$ 135,589	\$ 135,364

Variety Village
Notes to Financial Statements
September 30, 2020

9. CHANGES IN NON-CASH OPERATING BALANCES

	2020	2019
(Increase) decrease in accounts receivable	\$ (159,597)	\$ (12,223)
(Increase) decrease in prepaid expenses	66,348	(20,344)
Increase (decrease) in accounts payable and accrued liabilities	(68,995)	98,941
Increase (decrease) in deferred revenue	(96,820)	(5,930)
(Increase) decrease in due from related parties	(213,498)	(73,681)
	\$ (472,562)	\$ (13,237)

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.

The Charity entered into a new banking agreement in the prior year which is structured such that the Variety group of entities, which includes the Organization, are pooling their bank account balances to arrive at a single consolidated position. Financial assets and liabilities, specifically related to cash and bank overdraft, are offset with the new amount reported in the Consolidated Balance Sheets where the Charity currently has a legally enforceable right to offset and there is an intention to settle on a net basis or realize the cash and settle the overdraft simultaneously.

11. GUARANTEE

The Charity has an established facility agreement at year end. At September 30, 2020 the loan balance is \$1,070,057 (2019 - \$1,130,483). The facility is secured by the assets held by the Charity, and guaranteed by the Organization and Variety Club of Ontario - Tent 28.

12. COVID-19

On March 11, 2020, the World Health Organization assessed the coronavirus outbreak (COVID-19) as a pandemic. In Canada, the Government of Ontario declared an emergency under s 7.0.1 (1) of the Emergency Management and Civil Protection Act on March 17, 2020 with respect to COVID-19.

The Board of Directors and staff have been monitoring the effects of the pandemic on the Organization and have been working to maintain funding and donations during the regulated closures and restricted reopenings that effected this fiscal year. Delivery of programs and services are being reworked to align with the new regulations, as well as converting some programs to on-line offerings.

Variety Village
Notes to Financial Statements
September 30, 2020

12. COVID-19 (Cont'd)

As the Organization pivots to new ways of delivering programs, it has also formed new partnerships for program delivery and fundraising. The Organization is working with the Boys and Girls Clubs to promote accessible programming and has partnered with Holland-Bloorview on a jointly sponsored progressive lottery.

Additionally, the Organization applied for and received federal and provincially funded subsidies. Revenue includes \$25,000 from TWSE (Temporary Wage Subsidy for Employers) and \$506,400 from CEWS (Canada Emergency Wage Subsidy). The Organization further benefits in being a member of the consolidated banking group, where the Charity was able to secure an EDC (Export Development Canada) guaranteed \$1,000,000 line of credit which has not been drawn upon as of September 30, 2020. With these measures the Organization has been able to maintain cash stability during this emergency.

As of the date of these financial statements, the extent to which COVID-19 impacts the Organization's results will depend on future developments, which are highly uncertain and cannot be predicted and dependent upon new information which may emerge concerning the severity of COVID-19 and actions taken to contain the virus or its impact, among others.

13. 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, 2020

	Revenue	Expenses	2020	2019
Events				
Pizza Nova day	\$ -	\$ -	\$ -	\$ 200
Other events	450	-	450	(6,803)
Raffles	-	-	-	2
	450	-	450	(6,601)
Annual Campaigns				
Unsolicited contributions	76,259	1,083	75,176	93,329
Direct mail	50	-	50	306
Grants	-	-	-	6,573
Government grants	651,465	-	651,465	17,695
Grant amortization	2,492	-	2,492	-
	730,266	1,083	729,183	117,903
	\$ 730,716	\$ 1,083	729,633	111,302
Expenses				
Salaries and benefits			16,789	32,616
Professional fees			-	880
Office and general			-	3,455
			16,789	36,951
Excess of fundraising revenue over expenses			\$ 712,844	\$ 74,351

Variety Village
Schedule of Fitness Club Expenses - Schedule 2
Year Ended September 30, 2020

	2020	2019
Salaries and benefits	\$ 922,570	\$ 1,246,644
Employee related expenses	945	14,973
Cost of sales	47,866	90,963
Equipment, repairs and maintenance	12,045	18,684
Office and general	65,631	76,150
	\$ 1,049,057	\$ 1,447,414

Variety Village
Schedule of Program Expenses - Schedule 3
Year Ended September 30, 2020

	2020	2019
Salaries and benefits	\$ 633,179	\$ 1,050,656
Employee related expenses	2,550	13,965
Professional fees	1,453	4,254
Travel	4,120	11,112
Office and general	47,259	75,238
	\$ 688,561	\$ 1,155,225

Variety Village
Schedule of Teams Expenses - Schedule 4
Year Ended September 30, 2020

	2020	2019
Salaries and benefits	\$ 282,268	\$ 391,098
Employee related expenses	452	-
Travel	2,955	6,143
Tournament and registration costs	40,451	53,105
Office and general	29,532	61,988
	\$ 355,658	\$ 512,334

Variety Village
Schedule of Education Expenses - Schedule 5
Year Ended September 30, 2020

	2020	2019
Salaries and benefits	\$ 134,886	\$ 171,568
Employee related expenses	-	293
Office and general	15,043	72,861
	\$ 149,929	\$ 244,722

Variety Village
Schedule of Administration Expenses - Schedule 6
Year Ended September 30, 2020

	2020	2019
Salaries and benefits	\$ 712,175	\$ 695,474
Employee related expenses	1,437	2,352
Equipment repair and maintenance	-	1,560
Insurance	149,776	139,853
Professional fees	99,992	71,339
Office and general	79,314	87,019
	\$ 1,042,694	\$ 997,597

Variety Village
Schedule of Building Services Expenses - Schedule 7
Year Ended September 30, 2020

	2020	2019
Salaries and benefits	\$ 220,275	\$ 267,825
Employee related expenses	-	2,271
Equipment repairs and maintenance	730,865	178,772
Building supplies	43,390	67,027
Cleaning service	156,751	271,394
Utilities	426,398	455,217
Office and general	615	4,679
	\$ 1,578,294	\$ 1,247,185

