

Variety Village

Financial Statements

For the Year Ended September 30, 2021

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, 2021 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, 2021, 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.

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 15, 2021
Toronto, Ontario

Variety Village
Statement of Financial Position
As at September 30, 2021

	2021	2020
Assets		
Current		
Cash	\$ 334,740	\$ 152,652
Accounts receivable (Notes 3 and 12)	241,019	250,524
Prepaid expenses	17,945	35,329
Due from related party (Note 5)	-	195,627
	593,704	634,132
Endowment investments (Note 4)	119,172	107,604
Tangible capital assets (Note 6)	140,587	142,144
	\$ 853,463	\$ 883,880

Liabilities


Current		
Accounts payable and accrued liabilities	\$ 310,346	\$ 351,862
Deferred revenue	378,060	339,388
	688,406	691,250
Deferred contributions (Note 7)	438,058	471,998
Deferred contributions related to tangible capital assets (Note 8)	134,034	135,589
	1,260,498	1,298,837

Net Assets (Deficiency)

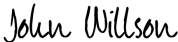
Endowments (Note 4)	105,776	105,493
Invested in capital assets	6,553	6,555
Operating	(519,364)	(527,005)
	(407,035)	(414,957)
	\$ 853,463	\$ 883,880

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

Approved by the Board

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Chair

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Treasurer

Variety Village
Statement of Changes in Net Assets (Deficiency)
Year Ended September 30, 2021

	Endowments	Invested in Capital Assets	Operating	Total 2021	Total 2020
	(Note 4)				
Net assets (deficiency), beginning of year	\$ 105,493	\$ 6,555	\$ (527,005)	\$ (414,957)	(553,936)
Deferred contributions received related to tangible capital assets (Note 8)	-	(44,116)	44,116	-	-
Endowment income	283	-	-	283	305
Excess of revenue over expenses	-	(2,755)	10,394	7,639	138,674
Purchase of tangible capital assets	-	46,869	(46,869)	-	-
Net assets (deficiency), end of the year	\$ 105,776	\$ 6,553	\$ (519,364)	\$ (407,035)	(414,957)

Variety Village
Statement of Operations
Year Ended September 30, 2021

	2021	2020
Revenue		
Provincial funding	\$ 1,000,000	\$ 1,000,000
Funding from Variety - The Children's Charity (Ontario) (Note 5)	957,158	946,987
Program	773,917	725,082
Government COVID-19 subsidies (Note 12)	753,513	531,400
Fitness club	316,713	1,279,278
Team	175,178	334,772
Education	121,601	63,509
Rental	85,278	170,500
Fundraising, net (Schedule 1)	74,202	712,844
Other	20,642	56,231
	4,278,202	5,820,603
Expenses		
Fitness club (Schedule 2)	776,066	1,049,057
Programs (Schedule 3)	654,474	688,561
Teams (Schedule 4)	196,737	355,658
Education (Schedule 5)	126,908	149,929
Administration (Schedule 6)	952,482	1,042,694
Building services (Schedule 7)	817,629	1,578,294
Benefit of Variety - The Children's Charity (Ontario) capital assets (Note 5)	697,841	766,965
Amortization of tangible capital assets	48,426	50,771
	4,270,563	5,681,929
Excess of revenue over expenses	\$ 7,639	\$ 138,674

Variety Village
Statement of Cash Flows
Year Ended September 30, 2021

	2021	2020
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses	\$ 7,639	\$ 138,674
Non-cash items:		
Amortization of tangible capital assets	48,426	50,771
Amortization of deferred contributions related to tangible capital assets (Note 8)	(45,671)	(49,375)
Amortization of deferred contributions (Note 7)	(1,003,854)	(1,194,748)
Deferred contributions received (Note 7)	969,914	1,208,353
Deferred contributions related to tangible capital assets received (Note 8)	44,116	87,495
Loss on transfer of tangible capital assets to Variety - The Children's Charity (Ontario)	-	2,592
Endowment unrealized gain	(7,909)	(2,111)
Endowment investment distributions received	(3,376)	-
Change in non-cash operating working capital items (Note 9)	219,672	(472,562)
	228,957	(230,911)
Investing activities		
Purchase of tangible capital assets	(46,869)	(91,335)
Net change in cash and cash equivalents	182,088	(322,246)
Cash, beginning of year	152,652	474,898
Cash, end of year	\$ 334,740	\$ 152,652

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.

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 \$240 (2020 - \$4,247) were recorded in the accounts.

Tangible Capital Assets

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

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.

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 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (Cont'd)

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 \$25,195 (2020 - \$20,054) is included in accounts receivable consisting of HST \$16,509 (2020 - \$11,368) and EHT \$8,686 (2020 - \$8,686).

Included in accounts receivable is the Canada Summer Jobs Grant of \$178,359 (2020 - \$105,203).

4. ENDOWMENT INVESTMENTS

Endowment investments are comprised of the following:

	2021	2020
Guaranteed investment certificates (GICs)	\$ 15,882	\$ 15,599
Mutual funds	103,290	92,005
	\$ 119,172	\$ 107,604

Endowment investments are held in guaranteed investment certificates and mutual funds, in adherence with the Organization's investment policy. The guaranteed investment certificate is invested for 2 years and bears interest rates at a minimum rate of 0.55% and at maximum rate of 1.50% and matures on January 13, 2023.

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 \$105,776 (2020 - \$105,493).

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

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

	2021	2020
Variety - The Children's Charity	\$ -	\$ 195,627

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

The Charity funds approximately 22% (2020 - 16%) of Variety Village's revenue. The grant provided by the Charity to the Organization for the year ended September 30, 2021 totalled \$657,158 (2020 - \$646,987).

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 \$697,841 (2020 - \$766,965).
- 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 \$165,720 (2020 - \$219,670) to the Charity.
- During the year, the Organization received cash of \$19,353 (2020 - \$19,360) from the Charity.
- Other miscellaneous transfers of revenues and reimbursements of expenses totalled \$121,311 from the Charity (2020 - \$62,461).

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.

The program funding provided by the Charity to the Organization for the year ended September 30, 2021 in the amount of \$300,000 is approximately 30% of the program costs. The full payment from the Charity during the year of \$300,000 (2020 - partial payment \$120,000) results in a balance of \$Nil (2020 - \$180,000) included in the total balance due from the Charity at year end.

6. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2021	Net 2020
Fieldhouse equipment	\$ 538,549	\$ 397,962	\$ 140,587	\$ 142,144

Variety Village
Notes to Financial Statements
September 30, 2021

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.

	2021	2020
Balance, beginning of year	\$ 471,998	\$ 458,393
Amounts received during the year	969,914	1,208,353
Amounts recognized as revenue in the year	(1,003,854)	(1,194,748)
Balance, end of year	\$ 438,058	\$ 471,998

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.

	2021	2020
Balance, beginning of year	\$ 135,589	\$ 135,364
Contributions received	44,116	87,495
Amounts recognized as revenue in the year	(45,671)	(49,375)
Deferred contributions related to VOLT equipment transferred to VCC	-	(37,895)
Balance, end of year	\$ 134,034	\$ 135,589

9. CHANGES IN NON-CASH OPERATING BALANCES

	2021	2020
(Increase) decrease in accounts receivable	\$ 9,505	\$ (159,597)
(Increase) decrease in prepaid expenses	17,384	66,348
Increase (decrease) in accounts payable and accrued liabilities	(41,516)	(68,995)
Increase (decrease) in deferred revenue	38,672	(96,820)
(Increase) decrease in due from related parties	195,627	(213,498)
	\$ 219,672	\$ (472,562)

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 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, 2021 the loan balance is \$949,321 (2020 - \$1,070,057). 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. On June 9, 2021 the Government of Ontario revoked this act, however, the essence of the emergency state has been retained with the majority of restrictions remaining under a separate law, the Reopening Ontario Act (ROA). It provides for the same unilateral emergency authority to the Premier as did the emergency act. The ROA has been enacted and set to expire in December 2021.

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 occurred in fiscal 2021. Delivery of programs and services are being reworked to align with the new regulations, as well as converting some programs to on-line offerings.

While the Organization expands its fundraising opportunities, it also continues to creatively find new ways to deliver its programming through partnerships. The Organization is looking to expand its camps through the Boys and Girls Club and has launched a virtual Children in Motion program that can serve kids with disabilities throughout the Province. The Organization does not expect another lockdown and will continue to increase capacity numbers in line with Provincial permissions.

Membership renewal continues and interest in the Organization's programs remains strong. The Organization is actively looking for satellite space in order to expand the camp program. Since its camps have been able to operate throughout the duration of the pandemic, the expansion plan is low risk.

12. COVID-19 (Cont'd)

Additionally, the Organization applied for and received federal and provincially funded subsidies. Revenue includes \$Nil from TWSE (Temporary Wage Subsidy for Employers) (2020 - \$25,000), \$739,788 from CEWS (Canada Emergency Wage Subsidy) (2020 - \$506,400), and \$13,725 from CRHP (Canada Recovery Hiring Program) (2020 - \$Nil). Included in accounts receivable at year end are the Canada Emergency Wage Subsidy of \$Nil (2020 - \$108,367), and the Canada Recovery Hiring Program \$13,725 (2020 - \$Nil).

The Organization further benefits in being a member of the consolidated banking group, for which the Charity secured an EDC (Export Development Canada) guaranteed \$1,000,000 line of credit in July 2020, which has not been drawn upon as of September 30, 2021. With these measures the Organization has been able to maintain cash stability during this emergency.

Variety Village
Schedule of Fundraising - Schedule 1
Year Ended September 30, 2021

	Revenue	Expenses	2021	2020
Events				
Other events	\$ 10	\$ -	\$ 10	\$ 450
Annual Campaigns				
Unsolicited contributions	77,270	317	76,953	75,176
Direct mail	31	-	31	50
Grants	3,224	-	3,224	-
Government grants	6,013	-	6,013	651,465
Grant amortization	4,983	-	4,983	2,492
	91,521	317	91,204	729,183
	\$ 91,531	\$ 317	91,214	729,633
Expenses				
Salaries and benefits			17,012	16,789
Excess of fundraising revenue over expenses			\$ 74,202	\$ 712,844

Variety Village
Schedule of Fitness Club Expenses - Schedule 2
Year Ended September 30, 2021

	2021	2020
Salaries and benefits	\$ 735,606	\$ 922,570
Employee related expenses	2,831	945
Cost of sales	6,701	47,866
Equipment, repairs and maintenance	6,640	12,045
Office and general	24,288	65,631
	\$ 776,066	\$ 1,049,057

Variety Village
Schedule of Program Expenses - Schedule 3
Year Ended September 30, 2021

	2021	2020
Salaries and benefits	\$ 610,082	\$ 633,179
Employee related expenses	4,340	2,550
Professional fees	132	1,453
Program expenses	4,680	4,120
Office and general	35,240	47,259
	\$ 654,474	\$ 688,561

Variety Village
Schedule of Teams Expenses - Schedule 4
Year Ended September 30, 2021

	2021	2020
Salaries and benefits	\$ 163,892	\$ 282,268
Employee related expenses	-	452
Program expenses	-	2,955
Tournament and registration costs	16,777	40,451
Office and general	16,068	29,532
	\$ 196,737	\$ 355,658

Variety Village
Schedule of Education Expenses - Schedule 5
Year Ended September 30, 2021

	2021	2020
Salaries and benefits	\$ 86,709	\$ 134,886
Office and general	40,199	15,043
	\$ 126,908	\$ 149,929

Variety Village
Schedule of Administration Expenses - Schedule 6
Year Ended September 30, 2021

	2021	2020
Salaries and benefits	\$ 619,181	\$ 712,175
Employee related expenses	1,584	1,437
Insurance	158,616	149,776
Professional fees	115,071	99,992
Office and general	58,030	79,314
	\$ 952,482	\$ 1,042,694

Variety Village
Schedule of Building Services Expenses - Schedule 7
Year Ended September 30, 2021

	2021	2020
Salaries and benefits	\$ 201,782	\$ 220,275
Equipment repairs and maintenance	134,598	730,865
Building supplies	19,192	43,390
Cleaning service	83,406	156,751
Utilities	375,246	426,398
Office and general	3,405	615
	\$ 817,629	\$ 1,578,294