

# **Variety Village**

## **Financial Statements**

**For the Year Ended September 30, 2022**

## **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, 2022 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, 2022, 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

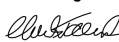
Chartered Professional Accountants  
Licensed Public Accountants  
December 15, 2022  
Toronto, Ontario

**Variety Village**  
**Statement of Financial Position**  
**As at September 30, 2022**

	2022	2021
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 717,530	\$ 334,740
Accounts receivable (Note 3)	126,258	241,019
Prepaid expenses	33,512	17,945
Due from related party (Note 5)	16,189	-
	893,489	593,704
<b>Endowment investments</b> (Note 4)	111,103	119,172
<b>Tangible capital assets</b> (Note 6)	135,332	140,587
	\$ 1,139,924	\$ 853,463
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 351,083	\$ 310,346
Deferred revenue	335,944	378,060
	687,027	688,406
<b>Deferred contributions</b> (Note 7)	698,430	438,058
<b>Deferred contributions related to tangible capital assets</b> (Note 8)	123,860	134,034
	1,509,317	1,260,498
<b>Net Assets (Deficiency)</b>		
<b>Endowments</b> (Note 4)	105,932	105,776
<b>Invested in capital assets</b>	11,472	6,553
<b>Operating</b>	(486,797)	(519,364)
	(369,393)	(407,035)
	\$ 1,139,924	\$ 853,463

Approved by the Board

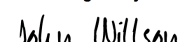
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Treasurer

**Variety Village****Statement of Changes in Net Assets (Deficiency)****Year Ended September 30, 2022**

	<b>Endowments</b>	<b>Invested in Capital Assets</b>	<b>Operating</b>	<b>Total 2022</b>	<b>Total 2021</b>
	(Note 4)				
<b>Net assets (deficiency), beginning of year</b>	<b>\$ 105,776</b>	<b>\$ 6,553</b>	<b>\$ (519,364)</b>	<b>\$ (407,035)</b>	<b>\$ (414,957)</b>
Deferred contributions received related to tangible capital assets (Note 8)	-	(31,247)	31,247	-	-
Endowment income	156	-	-	156	283
Excess of revenue over expenses	-	(3,971)	41,457	37,486	7,639
Purchase of tangible capital assets	-	40,137	(40,137)	-	-
<b>Net assets (deficiency), end of the year</b>	<b>\$ 105,932</b>	<b>\$ 11,472</b>	<b>\$ (486,797)</b>	<b>\$ (369,393)</b>	<b>\$ (407,035)</b>

**Variety Village**  
**Statement of Operations**  
**Year Ended September 30, 2022**

	2022	2021
<b>Revenue</b>		
Fitness club membership	\$ 1,453,322	\$ 316,713
Program fees and contributions	1,235,573	773,917
Provincial grant	1,000,000	1,000,000
Funding from Variety - The Children's Charity (Ontario) (Note 5)	459,483	957,158
Government COVID-19 subsidies	321,757	753,513
Team fees and contributions	253,642	175,178
Rental	224,084	85,278
Fundraising, net (Schedule 1)	195,937	74,202
Other	53,568	12,733
Education	40,578	121,601
Endowment investments unrealized (loss) gain	(13,210)	7,909
	<b>5,224,734</b>	<b>4,278,202</b>
<b>Expenses</b>		
Fitness club (Schedule 2)	1,218,679	776,066
Administration (Schedule 6)	1,054,363	952,482
Building services (Schedule 7)	964,765	817,629
Programs (Schedule 3)	874,651	654,474
Benefit of Variety - The Children's Charity (Ontario) capital assets (Note 5)	591,205	697,841
Teams (Schedule 4)	319,958	196,737
Education (Schedule 5)	118,235	126,908
Amortization of tangible capital assets	45,392	48,426
	<b>5,187,248</b>	<b>4,270,563</b>
<b>Excess of revenue over expenses</b>	<b>\$ 37,486</b>	<b>\$ 7,639</b>

**Variety Village**  
**Statement of Cash Flows**  
**Year Ended September 30, 2022**

	2022	2021
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenses	\$ 37,486	\$ 7,639
Non-cash items:		
Amortization of tangible capital assets	45,392	48,426
Amortization of deferred contributions related to tangible capital assets (Note 8)	(41,421)	(45,671)
Amortization of deferred contributions (Note 7)	(746,878)	(1,003,854)
Deferred contributions received (Note 7)	1,007,250	969,914
Deferred contributions related to tangible capital assets received (Note 8)	31,247	44,116
Endowment investments unrealized loss (gain)	13,210	(7,909)
Endowment investments distributions received	(4,985)	(3,376)
Change in non-cash operating working capital items (Note 9)	81,626	219,672
	<b>422,927</b>	<b>228,957</b>
<b>Investing activity</b>		
Purchase of tangible capital assets	(40,137)	(46,869)
<b>Net change in cash</b>	<b>382,790</b>	<b>182,088</b>
<b>Cash, beginning of year</b>	<b>334,740</b>	<b>152,652</b>
<b>Cash, end of year</b>	<b>\$ 717,530</b>	<b>\$ 334,740</b>

## **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 \$17,961 (2021 - \$240) 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, except for non-arm's length transactions, which are measured at the exchange amount. 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.

## **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 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 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 \$Nil (2021 - \$25,195) are included in accounts receivable consisting of HST of \$Nil (2021 - \$16,509) and EHT of \$Nil (2021 - \$8,686).

Also included in accounts receivable is the Canada Summer Jobs Grant of \$113,881 (2021 - \$178,359).

## **4. ENDOWMENT INVESTMENTS**

Endowment investments are comprised of the following:

	<b>2022</b>	<b>2021</b>
Guaranteed investment certificates (GICs)	\$ 16,038	\$ 15,882
Mutual funds	95,065	103,290
	<b>\$ 111,103</b>	<b>\$ 119,172</b>

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.

**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 \$105,932 (2021 - \$105,776).

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

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

	2022	2021
Variety - The Children's Charity	\$ 16,189	\$ -

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

All related party transactions are carried out in the normal course of operations and are recorded at the exchange value which is the amount agreed to by the parties.

The Charity funded approximately 9% (2021 - 22%) of Variety Village's revenue. The grant provided by the Charity to the Organization for the year ended September 30, 2022 totalled \$159,483 (2021 - \$657,158), \$16,189 was outstanding as receivable from Variety - The Children's Charity (Ontario) as of September 30, 2022.

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 \$591,205 (2021 - \$697,841).
- 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 \$458,258 (2021 - \$165,720) to the Charity.
- During the year, the Organization advanced \$63,632 to the Charity (2021 - received \$19,353 from the Charity).
- Other miscellaneous transfers of revenues and reimbursements of expenses totalled \$90,168 from the Charity (2021 - \$121,311).

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.

**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, 2022 in the amount of \$300,000 is approximately 30% of the program costs. The full payment of \$300,000 (2021 - \$300,000) from the Charity was made during the year.

**6. TANGIBLE CAPITAL ASSETS**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net 2022</b>	<b>Net 2021</b>
Fieldhouse equipment	<b>\$ 578,685</b>	<b>\$ 443,353</b>	<b>\$ 135,332</b>	<b>\$ 140,587</b>

**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.

	<b>2022</b>	<b>2021</b>
Balance, beginning of year	<b>\$ 438,058</b>	<b>\$ 471,998</b>
Amounts received during the year	<b>1,007,250</b>	<b>969,914</b>
Amounts recognized as revenue in the year	<b>(746,878)</b>	<b>(1,003,854)</b>
Balance, end of year	<b>\$ 698,430</b>	<b>\$ 438,058</b>

**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.

	<b>2022</b>	<b>2021</b>
Balance, beginning of year	<b>\$ 134,034</b>	<b>\$ 135,589</b>
Contributions received	<b>31,247</b>	<b>44,116</b>
Amounts recognized as revenue in the year	<b>(41,421)</b>	<b>(45,671)</b>
Balance, end of year	<b>\$ 123,860</b>	<b>\$ 134,034</b>

**9. CHANGES IN NON-CASH OPERATING BALANCES**

	<b>2022</b>	2021
(Increase) decrease in accounts receivable	\$ 114,761	\$ 9,505
(Increase) decrease in prepaid expenses	(15,567)	17,384
Increase (decrease) in accounts payable and accrued liabilities	40,737	(41,516)
Increase (decrease) in deferred revenue	(42,116)	38,672
(Increase) decrease in due from related party	(16,189)	195,627
	<b>\$ 81,626</b>	<b>\$ 219,672</b>

**10. FINANCIAL RISK MANAGEMENT**

**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.

**Variety Village****Schedule of Fundraising - Schedule 1****Year Ended September 30, 2022**

	Revenue	Expenses	2022	2021
<b>Events</b>				
Other events	\$ -	\$ -	\$ -	\$ 10
<b>Annual Campaigns</b>				
Unsolicited contributions	41,474	8,720	32,754	76,953
Planned gifts	159,124	-	159,124	-
Direct mail	-	-	-	31
Government grants	-	-	-	6,013
Grants	4,434	-	4,434	3,224
Amortization of deferred contributions related to capital assets	4,983	-	4,983	4,983
	210,015	8,720	201,295	91,204
	\$ 210,015	\$ 8,720	201,295	91,214
<b>Expenses</b>				
Salaries and benefits			5,358	17,012
<b>Excess of fundraising revenue over expenses</b>			<b>\$ 195,937</b>	<b>\$ 74,202</b>

**Variety Village****Schedule of Fitness Club Expenses - Schedule 2****Year Ended September 30, 2022**

	<b>2022</b>	<b>2021</b>
Salaries and benefits	<b>\$ 1,075,821</b>	\$ 735,606
Employee related expenses	<b>2,191</b>	2,831
Cost of sales	<b>64,589</b>	6,701
Equipment, repairs and maintenance	<b>10,076</b>	6,640
Office and general	<b>66,002</b>	24,288
	<b>\$ 1,218,679</b>	\$ 776,066

**Variety Village**  
**Schedule of Program Expenses - Schedule 3**  
**Year Ended September 30, 2022**

	<b>2022</b>	<b>2021</b>
Salaries and benefits	<b>\$ 811,927</b>	<b>\$ 610,082</b>
Employee related expenses	<b>9,761</b>	<b>4,340</b>
Professional fees	<b>1,991</b>	<b>132</b>
Program expenses	<b>7,792</b>	<b>4,680</b>
Office and general	<b>43,180</b>	<b>35,240</b>
	<b>\$ 874,651</b>	<b>\$ 654,474</b>



**Variety Village**  
**Schedule of Teams Expenses - Schedule 4**  
**Year Ended September 30, 2022**

	<b>2022</b>	<b>2021</b>
Salaries and benefits	<b>\$ 220,506</b>	<b>\$ 163,892</b>
Employee related expenses	<b>869</b>	<b>-</b>
Travel expenses	<b>15,873</b>	<b>-</b>
Tournament and registration costs	<b>15,467</b>	<b>16,777</b>
Equipment, repairs and maintenance	<b>16,283</b>	<b>8,481</b>
Office and general	<b>50,960</b>	<b>7,587</b>
	<b>\$ 319,958</b>	<b>\$ 196,737</b>

**Variety Village**  
**Schedule of Education Expenses - Schedule 5**  
**Year Ended September 30, 2022**

	<b>2022</b>	<b>2021</b>
Salaries and benefits	<b>\$ 114,252</b>	<b>\$ 86,709</b>
Office and general	<b>3,983</b>	<b>40,199</b>
	<b>\$ 118,235</b>	<b>\$ 126,908</b>

**Variety Village**  
**Schedule of Administration Expenses - Schedule 6**  
**Year Ended September 30, 2022**

	<b>2022</b>	<b>2021</b>
Salaries and benefits	<b>\$ 625,661</b>	\$ 619,181
Employee related expenses	<b>759</b>	1,584
Insurance	<b>174,770</b>	158,616
Professional fees	<b>165,284</b>	115,071
Office and general	<b>87,889</b>	58,030
	<b>\$ 1,054,363</b>	\$ 952,482

**Variety Village**  
**Schedule of Building Services Expenses - Schedule 7**  
**Year Ended September 30, 2022**

	<b>2022</b>	<b>2021</b>
Salaries and benefits	\$ 115,271	\$ 201,782
Equipment repairs and maintenance	165,004	134,598
Building supplies	60,620	19,192
Cleaning service	252,832	83,406
Utilities	368,710	375,246
Office and general	2,328	3,405
	<b>\$ 964,765</b>	<b>\$ 817,629</b>