

Variety Village

Financial Statements

For the Year Ended September 30, 2016

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Variety Village

We have audited the accompanying financial statements of Variety Village (the "Organization") which comprise the statement of financial position as at September 30, 2016 and the statements of operations, net assets (deficiency) 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenues from fundraising events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenue over expenses and cash flows from operating activities for the year ended September 30, 2016, current assets as at September 30, 2016 and net assets (deficiency) as at September 30, 2016 and October 1, 2015.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Variety Village as at September 30, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Collins Barrow Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants
January 18, 2017
Toronto, Ontario

Variety Village
Statement of Financial Position
As at September 30, 2016

	2016	2015
Assets		
Current		
Cash	\$ 247,681	\$ 220,061
Accounts receivable (Note 5)	85,231	296,501
Contributions receivable (Note 7)	600,000	-
Prepaid expenses	84,988	92,910
Due from related party (Note 6)	246,641	172,332
	1,264,541	781,804
Endowment investments (Note 3)	92,194	92,194
Capital assets (Note 4)	143,545	70,020
	\$ 1,500,280	\$ 944,018

Liabilities

Current		
Accounts payable and accrued liabilities (Note 5)	\$ 401,231	\$ 528,251
Deferred revenue	393,679	604,620
	794,910	1,132,871
Deferred contributions (Note 8)	456,311	316,761
	1,251,221	1,449,632

Net Assets (Deficiency)

Endowments (Note 9)	92,194	92,194
Invested in capital assets	143,545	70,020
Operating	13,320	(667,828)
	249,059	(505,614)
	\$ 1,500,280	\$ 944,018
Guarantee (Note 12)		

Approved by the Board

Chair

Treasurer

Variety Village
Statement of Changes in Net Assets (Deficiency)
Year Ended September 30, 2016

	Endowments	Invested in Capital Assets	Operating	Total 2016	Total 2015
	(Note 9)				
Net assets, beginning of year	\$ 92,194	\$ 70,020	\$ (667,828)	\$ (505,614)	\$ (575,953)
Excess (deficiency) of revenue over expenses	-	(34,850)	789,523	754,673	70,339
Interfund transfer	-	108,375	(108,375)	-	-
Net assets, end of the year	\$ 92,194	\$ 143,545	\$ 13,320	\$ 249,059	\$ (505,614)

Variety Village
Statement of Operations
Year Ended September 30, 2016

	2016	2015
Revenue		
Funding from Variety - The Children's Charity (Ontario) (Note 6)	\$ 1,239,363	\$ 1,471,969
Provincial funding (Note 7)	1,100,000	-
Fitness club membership	1,709,277	1,738,370
Program fees and contributions	908,465	952,723
Team fees and contributions	356,847	339,547
Education	457,260	470,912
Fundraising, net (Schedule 1)	477,793	309,601
Rental	154,843	199,387
Other	61,657	230,819
	6,465,505	5,713,328
Expenses		
Fitness club (Schedule 2)	1,341,820	1,256,197
Programs (Schedule 3)	938,549	992,942
Teams (Schedule 4)	302,329	314,109
Education (Schedule 5)	191,604	232,719
Administration (Schedule 6)	882,569	733,458
Building services (Schedule 7)	1,239,283	1,386,433
Amortization	34,850	20,322
Benefit of Variety - The Children's Charity (Ontario) capital assets (Note 6)	779,828	706,809
	5,710,832	5,642,989
Excess of revenue over expenses	\$ 754,673	\$ 70,339

Variety Village
Statement of Cash Flows
Year Ended September 30, 2016

	2016	2015
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses	\$ 754,673	\$ 70,339
Non-cash items:		
Amortization of deferred contributions (Note 8)	(302,370)	(696,496)
Amortization of capital assets	34,850	20,322
Change in non-cash operating working capital items (Note 10)	(793,078)	130,910
	(305,925)	(474,925)
Investing activity		
Purchase of capital assets	(108,375)	(50,989)
Financing activity		
Deferred contributions received (Note 8)	441,920	570,352
Net change in cash	27,620	44,438
Cash, beginning of year	220,061	175,623
Cash, end of year	\$ 247,681	\$ 220,061

1. NATURE OF THE ORGANIZATION

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Management Estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the reporting date and the revenue and expenses reported for the year then ended. Significant estimates include allowance for doubtful accounts, useful lives of capital assets and the allocation of shared expenses with the Charity. Actual results could differ from those estimates.

Financial Instruments

The Organization initially measures its financial assets and liabilities at fair value. The Organization subsequently measures its financial assets and financial liabilities at amortized cost, except for investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the excess (deficiency) of revenue over expenses.

Financial assets measured at amortized cost include accounts receivable, contributions 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 cost or amortized costs are tested for impairment when there are indicators of impairment. The amount of the write-down, if any, is recognized in the excess 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.

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.

Revenue Recognition

The Organization follows the deferral method of accounting for contributions, which include donations, bequests, and other revenue. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

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

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

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

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

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

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

Prepaid Expenses

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

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

Fund Accounting

The accounts of the Organization are maintained in accordance with the principles of fund accounting in order to observe the limitations and restrictions placed on the use of available resources. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into separate funds in accordance with specified activities or objectives. The Organization has the following funds:

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

3. ENDOWMENT INVESTMENTS

Endowment investments are comprised of the following:

	2016	2015
Endowment		
Variable income securities	\$ 92,194	\$ 92,194

Variable income securities are held in GICs bearing interest between 1.65% and 1.67% (2015 - 1.46%) in an account shared with the Charity.

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2016	Net 2015
Fieldhouse equipment	\$ 333,506	\$ 189,961	\$ 143,545	\$ 70,020

5. GOVERNMENT REMITTANCES AND REBATES

Government rebates of \$Nil (2015 - \$11,582) are reflected in accounts receivable. Included in accounts payable and accrued liabilities are the amounts payable in respect to government remittances of \$17,227 (2015 - \$5,782).

6. DUE TO RELATED PARTY AND RELATED PARTY TRANSACTIONS

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

The Charity funds approximately 19% of Variety Village's revenue. As a result, the Organization is economically dependent on funding from the Charity. Contributions provided to the Organization for the year ended September 30, 2016 were \$1,239,363 (2015 - \$1,471,969).

The Facilities and other capital assets are held by the Charity for use by the Organization. The Organization recorded this benefit in an amount equal to the amortization expense of the facilities and capital assets in the accounts of the Charity. The benefit allocated to the Organization for the year ended September 30, 2016 was \$779,828 (2015 - \$706,809), included in the total contribution of \$1,239,363 (2015 - \$1,471,969).

Shared expenses with the Charity are recognized as related party transactions, including administration and fundraising, salaries and benefits, office and general, insurance and professional fees. The Organization has allocated fundraising salaries and benefits of \$29,880 (2015 - \$30,195) to the Charity. The Charity has allocated administration salaries and benefits of \$514,294 (2015 - \$469,044) and fundraising salaries and benefits of \$97,026 (2015 - \$137,141) to the Organization.

7. PROVINCIAL FUNDING

During the year the Organization received provincial funding that had previously been received in the Charity.

8. DEFERRED CONTRIBUTIONS

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

	2016	2015
Balance, beginning of year	\$ 316,761	\$ 442,905
Cash receipts	441,920	570,352
Amounts recognized as revenue	(302,370)	(696,496)
Balance, end of year	\$ 456,311	\$ 316,761

9. ENDOWMENTS

All of the net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the principal be maintained intact. Investment income on the assets may be used by the Organization for general purposes.

The balance of the endowment fund is \$92,194 (2015 - \$92,194) (Note 3).

10. CHANGES IN NON-CASH OPERATING BALANCES

	2016	2015
Decrease (increase) in accounts receivable	\$ 211,270	\$ (70,628)
Decrease in prepaid expenses	7,922	43,946
Increase in contributions receivable	(600,000)	-
Increase (decrease) in accounts payable and accrued liabilities	(127,020)	191,655
Increase in deferred revenue	(210,941)	38,947
Change in due to/from related party	(74,309)	(73,010)
	\$ (793,078)	\$ 130,910

11. 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.

12. GUARANTEE

During 2015, the Charity renewed its bank credit facility in the amount of \$3,043,605 after making a repayment of \$1,000,000. The outstanding debt as at September 30, 2016 was \$2,518,439. The debt is secured by the assets held by the Charity, first ranking over all personal property of the Charity and guaranteed by the Organization and Variety Club of Ontario - Tent 28. Effective October 1, 2016 the Charity made another \$1,000,000 payment and refinanced the remaining balance of \$1,459,986, bearing interest at 3.85% per annum with no prepayments permitted. Other terms and conditions remained unchanged.

13. COMPARATIVE FIGURES

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

Variety Village
Schedule of Fundraising - Schedule 1
Year Ended September 30, 2016

	Revenue	Expenses	2016	2015
Events				
Golf tournaments	\$ 108,000	\$ 2,294	\$ 105,706	\$ 102,365
Pizza Nova Day	108,824	924	107,900	-
Walk Roll Run	-	-	-	52,528
Luncheon	69,325	22,317	47,008	119,849
Toronto Sun fund	29,629	-	29,629	28,645
Other events	80,685	8,337	72,348	69,255
Allocation of event revenue to department revenue lines ⁽¹⁾	-	-	-	(146,645)
	396,463	33,872	362,591	225,997
Annual Campaigns				
Unsolicited contributions	247,127	53,940	193,187	320,635
Planned gifts	89,000	-	89,000	190,732
Direct mail	67,810	24,112	43,698	24,058
Corporate	1,360	-	1,360	56,153
Government grants	11,029	-	11,029	215,426
Allocation of annual campaigns revenue to department revenue lines ⁽¹⁾	(27,630)	-	(27,630)	(464,623)
	388,696	78,052	310,644	342,381
	\$ 785,159	\$ 111,924	673,235	568,378
Expenses				
Salaries and benefits			135,116	232,018
Professional fees			47,796	640
Office and general			12,530	26,119
			195,442	258,777
Excess of fundraising revenue over expenses			\$ 477,793	\$ 309,601

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

Variety Village
Schedule of Fitness Club Expenses - Schedule 2
Year Ended September 30, 2016

	2016	2015
Salaries and benefits	\$ 1,125,314	\$ 1,066,007
Kiosk cost of sales	86,890	67,766
Equipment, repairs and supplies	33,155	44,306
Advertising and promotion	96,461	78,118
	\$ 1,341,820	\$ 1,256,197

Variety Village
Schedule of Program Expenses - Schedule 3
Year Ended September 30, 2016

	2016	2015
Salaries and benefits	\$ 879,664	\$ 872,551
Employee related expenses	5,623	4,139
Equipment, repairs and supplies	20,209	20,484
Professional fees	10,310	9,912
General office supplies	4,187	6,534
Travel	11,004	9,508
Other	7,552	69,814
	\$ 938,549	\$ 992,942

Variety Village
Schedule of Teams Expenses - Schedule 4
Year Ended September 30, 2016

	2016	2015
Salaries and benefits	\$ 255,919	\$ 178,443
Equipment, repairs and supplies	15,178	29,130
Travel	1,134	13,946
Tournament and registration costs	25,574	34,803
Other	4,524	57,787
	\$ 302,329	\$ 314,109

Variety Village
Schedule of Education Expenses - Schedule 5
Year Ended September 30, 2016

	2016	2015
Salaries and benefits	\$ 192,764	\$ 225,636
Program costs	(1,160)	7,083
	\$ 191,604	\$ 232,719

Variety Village
Schedule of Administration Expenses - Schedule 6
Year Ended September 30, 2016

	2016	2015
Salaries and benefits (Note 6)	\$ 514,294	\$ 469,044
General office (Note 6)	219,969	123,267
Insurance (Note 6)	122,825	121,328
Professional fees (Note 6)	25,481	19,819
	\$ 882,569	\$ 733,458

Variety Village
Schedule of Building Services Expenses - Schedule 7
Year Ended September 30, 2016

	2016	2015
Salaries and benefits	\$ 327,868	\$ 325,688
Equipment, repairs and supplies	252,585	399,330
Cleaning service	204,517	216,929
Utilities	454,313	444,486
	\$ 1,239,283	\$ 1,386,433
