

Variety Village

Financial Statements

For the Year Ended September 30, 2017



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, 2017 and the statements of operations, changes in net assets (deficiency) and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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, 2017, current assets as at September 30, 2017 and net assets (deficiency) as at September 30, 2017 and October 1, 2016.

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, 2017, 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.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
December 13, 2017
Toronto, Ontario

Variety Village
Statement of Financial Position
As at September 30, 2017

	2017	2016
Assets		
Current		
Cash and cash equivalents	\$ 699,358	\$ 247,681
Accounts receivable (Note 3)	221,991	85,231
Contributions receivable	-	600,000
Investments (Note 4)	221,850	-
Prepaid expenses	122,906	84,988
Due from related parties (Note 5)	12	246,641
	<u>1,266,117</u>	<u>1,264,541</u>
Endowment investments (Note 4)	92,194	92,194
Capital assets (Note 6)	104,743	143,545
	<u>\$ 1,463,054</u>	<u>\$ 1,500,280</u>

Liabilities

Current		
Accounts payable and accrued liabilities (Note 3)	\$ 290,775	\$ 401,231
Deferred revenue	464,631	393,679
	<u>755,406</u>	<u>794,910</u>
Deferred contributions (Note 7)	579,041	456,311
	<u>1,334,447</u>	<u>1,251,221</u>

Net Assets (Deficiency)

Endowments (Note 8)	92,194	92,194
Invested in capital assets	104,743	143,545
Operating	(68,330)	13,320
	<u>128,607</u>	<u>249,059</u>
	<u>\$ 1,463,054</u>	<u>\$ 1,500,280</u>

Guarantee (Note 11)

Approved by the Board



 Chair



 Treasurer

Variety Village
Statement of Changes in Net Assets (Deficiency)
Year Ended September 30, 2017

	Endowments	Invested in Capital Assets	Operating	Total 2017	Total 2016
	(Note 8)				
Net assets, beginning of year	\$ 92,194	\$ 143,545	\$ 13,320	\$ 249,059	\$ (505,614)
Excess (deficiency) of revenue over expenses	-	(38,802)	(81,650)	(120,452)	754,673
Net assets, end of the year	\$ 92,194	\$ 104,743	\$ (68,330)	\$ 128,607	\$ 249,059

Variety Village
Statement of Operations
Year Ended September 30, 2017

	2017	2016
Revenue		
Funding from Variety - The Children's Charity (Ontario) (Note 5)	\$ 489,235	\$ 1,239,363
Provincial funding	1,000,000	1,100,000
Fitness club membership	1,876,071	1,709,277
Program fees and contributions	934,157	908,465
Team fees and contributions	349,029	356,847
Education	468,014	457,260
Fundraising, net (Schedule 1)	396,631	477,793
Rental	254,140	157,136
Other	135,950	61,657
	5,903,227	6,467,798
Expenses		
Fitness club (Schedule 2)	1,304,335	1,341,820
Programs (Schedule 3)	1,002,749	938,549
Teams (Schedule 4)	375,998	302,329
Education (Schedule 5)	211,842	191,604
Administration (Schedule 6)	1,066,443	884,862
Building services (Schedule 7)	1,246,551	1,239,283
Benefit of Variety - The Children's Charity (Ontario) capital assets (Note 5)	776,959	779,828
Amortization	38,802	34,850
	6,023,679	5,713,125
Excess (deficiency) of revenue over expenses	\$ (120,452)	\$ 754,673

Variety Village
Statement of Cash Flows
Year Ended September 30, 2017

	2017	2016
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses	\$ (120,452)	\$ 754,673
Non-cash items:		
Amortization of deferred contributions (Note 7)	(379,454)	(302,370)
Amortization of capital assets	38,802	34,850
Change in non-cash operating working capital items (Note 9)	632,447	(793,078)
	171,343	(305,925)
Investing activities		
Purchase of capital assets	-	(108,375)
Purchase of investment	(221,850)	-
	(221,850)	(108,375)
Financing activity		
Deferred contributions received (Note 7)	502,184	441,920
Net change in cash and cash equivalents	451,677	27,620
Cash and cash equivalents, beginning of year	247,681	220,061
Cash and cash equivalents, end of year	\$ 699,358	\$ 247,681

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, investments, due from related parties 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 cost are tested for impairment when there are indicators of impairment. The amount of the write-down, if any, is recognized in the excess (deficiency) of revenue over expenses. Reversals of impairment are recorded to the extent that the value has increased, up to the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the excess (deficiency) of revenue over expenses.

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, and are required to be maintained on a permanent basis. Income derived therefrom is available to support the Organization's activities.

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 (gifts in kind) are recorded at their fair value in the financial statements when a fair value can be reasonably estimated, except for the benefit from the use of the Charity's capital assets (Note 6), the materials and services are used in the normal course of operations and would otherwise have been purchased. Donated materials and services in the amount of \$81,876 (2016 - \$57,362) were recorded in the accounts.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Cash and Cash Equivalents

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

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.

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 of donations received that are permanent in nature (Note 8);
- ii) Operating – funds received are primarily through fitness club memberships, program and team fees and fundraising. Any externally restricted funds included in the operating fund are accounted for using the deferral method of accounting.

3. GOVERNMENT REMITTANCES AND REBATES

Government rebates of \$18,032 (2016 - \$9,783) are reflected in accounts receivable. Included in accounts payable and accrued liabilities are the amounts payable in respect to government remittances of \$1,977 (2016 - \$17,227).

4. ENDOWMENT INVESTMENTS AND INVESTMENTS

Endowment investments and investments are comprised of the following:

	2017	2016
Endowment		
Guaranteed investment certificates	\$ 92,194	\$ 92,194
Investments		
Interest bearing savings account	221,850	-
	\$ 314,044	\$ 92,194

Investments are held in an interest bearing savings account, which bears interest at a variable rate. Endowment investments are held in guaranteed investment certificates bearing interest at 1.65% (2016 - 1.46%) and maturing August 15, 2018. These investments are held in a joint account with the Charity.

5. DUE FROM RELATED PARTY AND RELATED PARTY TRANSACTIONS

Due from related parties:

	2017	2016
Variety - The Children's Charity	\$ -	\$ 246,641
Variety Club of Ontario - Tent 28	12	-
	\$ 12	\$ 246,641

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

The Charity funds approximately 8% (2106 – 19%) of Variety Village's revenue. The grant provided by the Charity to the Organization for the year ended September 30, 2017 totaled \$489,235 (2016 - \$1,239,363).

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 \$776,959 (2016 - \$779,828).
- Shared expenses with the Charity are recognized as related party transactions, including administration, fundraising, salaries and benefits, and office and general expenses. The Charity has allocated administrative and fundraising salaries and benefits of \$751,560 (2016 - \$611,320) to the Organization. The Organization has allocated fundraising salaries and benefits of \$62,435 (2016 - \$29,880) to the Charity.
- During the year, the Organization advanced \$1,005,000 to the Charity.

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

- Other miscellaneous transfers of revenues and reimbursements of expenses totaled \$274,791.

During the year the Organization contributed \$12 (2016 - \$nil) to Variety Club of Ontario - Tent 28, an organization controlled by the Charity by virtue of a common board of directors and through the Charity's control and direction of resources.

6. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2017	Net 2016
Fieldhouse equipment	\$ 333,506	\$ 228,763	\$ 104,743	\$ 143,545

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.

	2017	2016
Balance, beginning of year	\$ 456,311	\$ 316,761
Cash receipts	502,184	441,920
Amounts recognized as revenue	(379,454)	(302,370)
Balance, end of year	\$ 579,041	\$ 456,311

8. 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 (2016 - \$92,194) (Note 4).

9. CHANGES IN NON-CASH OPERATING BALANCES

	2017	2016
(Increase) decrease in accounts receivable	\$ (136,760)	\$ 211,270
(Increase) decrease in prepaid expenses	(37,918)	7,922
(Increase) decrease in contributions receivable	600,000	(600,000)
Increase (decrease) in accounts payable and accrued liabilities	(110,456)	(127,020)
Increase (decrease) in deferred revenue	70,952	(210,941)
(Increase) decrease in due from related parties	246,629	(74,309)
	\$ 632,447	\$ (793,078)

10. FINANCIAL INSTRUMENTS

Credit Risk

The Organization is exposed to credit risk in the event of non-payment by members for their accounts receivable. Management has adopted credit policies in an effort to minimize those risks.

11. GUARANTEE

The Charity has an established facility agreement at year end. At September 30, 2017 the loan balance is \$1,359,995 (2016 - \$2,487,476). There is also an outstanding letter of credit in the amount of \$35,000 (2016 - \$Nil). The facility is secured by the assets held by the Charity, and guaranteed by the Organization and Variety Club of Ontario - Tent 28.

12. COMPARATIVE FIGURES

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

Variety Village
Schedule of Fundraising - Schedule 1
Year Ended September 30, 2017

	Revenue	Expenses	2017	2016
Events				
Golf tournaments	\$ 114,175	\$ 2,849	\$ 111,326	\$ 105,706
Pizza Nova Day	100,207	1,943	98,264	107,900
Luncheon	74,129	22,884	51,245	47,008
Toronto Sun fund	29,817	-	29,817	29,629
Other events	111,116	13,019	98,097	72,348
	429,444	40,695	388,749	362,591
Annual Campaigns				
Unsolicited contributions	139,264	70,959	68,305	193,187
Planned gifts	33,635	-	33,635	89,000
Direct mail	24,541	4,273	20,268	43,698
Corporate	-	-	-	1,360
Government grants	41,195	-	41,195	11,029
Allocation of revenue (to) from deferred revenue ⁽¹⁾	190	-	190	(27,630)
	238,825	75,232	163,593	310,644
	\$ 668,269	\$ 115,927	552,342	673,235
Expenses				
Salaries and benefits			101,915	135,116
Professional fees			42,970	47,796
Office and general			10,826	12,530
			155,711	195,442
Excess of fundraising revenue over expenses			\$ 396,631	\$ 477,793

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

Variety Village
Schedule of Fitness Club Expenses - Schedule 2
Year Ended September 30, 2017

	2017	2016
Salaries and benefits	\$ 1,075,176	\$ 1,125,314
Kiosk cost of sales	100,692	86,890
Equipment, repairs and supplies	28,644	33,155
Advertising and promotion	99,823	96,461
	\$ 1,304,335	\$ 1,341,820

Variety Village
Schedule of Program Expenses - Schedule 3
Year Ended September 30, 2017

	2017	2016
Salaries and benefits	\$ 897,132	\$ 879,664
Employee related expenses	10,111	5,623
Equipment, repairs and supplies	27,487	20,209
Professional fees	9,898	10,310
General office supplies	17,402	4,187
Travel	12,619	11,004
Other	28,100	7,552
	\$ 1,002,749	\$ 938,549

Variety Village
Schedule of Teams Expenses - Schedule 4
Year Ended September 30, 2017

	2017	2016
Salaries and benefits	\$ 318,039	\$ 255,919
Equipment, repairs and supplies	7,922	15,178
Travel	3,882	1,134
Tournament and registration costs	19,445	25,574
Other	26,710	4,524
	\$ 375,998	\$ 302,329

Variety Village
Schedule of Education Expenses - Schedule 5
Year Ended September 30, 2017

	2017	2016
Salaries and benefits	\$ 200,122	\$ 192,764
Program costs	11,720	(1,160)
	\$ 211,842	\$ 191,604

Variety Village
Schedule of Administration Expenses - Schedule 6
Year Ended September 30, 2017

	2017	2016
Salaries and benefits	\$ 677,037	\$ 514,294
General office	229,132	222,262
Insurance	128,933	122,825
Professional fees	31,341	25,481
	\$ 1,066,443	\$ 884,862

Variety Village
Schedule of Building Services Expenses - Schedule 7
Year Ended September 30, 2017

	2017	2016
Salaries and benefits	\$ 328,775	\$ 327,868
Equipment, repairs and supplies	227,936	252,585
Cleaning service	218,080	204,517
Utilities	471,760	454,313
	\$ 1,246,551	\$ 1,239,283
