

THE KIWANIS FOUNDATION OF CANADA INCORPORATED

FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

THE KIWANIS FOUNDATION OF CANADA INCORPORATED

SEPTEMBER 30, 2017

CONTENTS

	<u>Page</u>
AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
<i>Statement of Financial Position</i>	2
<i>Statement of General Operations</i>	3
<i>Statement of Changes in Net Assets</i>	4
<i>Statement of Cash Flows</i>	5
<i>Notes to the Financial Statements</i>	6 - 9

INDEPENDENT AUDITOR'S REPORT

To the Members of:

The Kiwanis Foundation Of Canada Incorporated

I have audited the accompanying financial statements of The Kiwanis Foundation Of Canada Incorporated, which comprise the statement of financial position as at September 30, 2017 and the statement of general operations, changes in net assets 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 of 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.

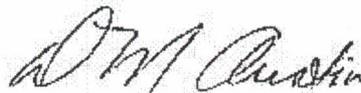
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion

In common with many non-profit organizations, the organization derives its revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the organization. I was not able to determine whether any adjustments might be necessary to donations received, excess of revenue over expenses, assets and net assets.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at September 30, 2017 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Brantford, Ontario
April 24, 2018

CPA, Chartered Accountant, LPA

THE KIWANIS FOUNDATION OF CANADA INCORPORATED

STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2017

	<u>2017</u>	<u>2016</u>
ASSETS		
Current		
Cash and bank	\$ 48,319	\$ 111,015
Segregated cash, ELIMINATE Program	7,469	32,102
Accounts receivable	2,878	10,816
G.S. T. recoverable	9,727	11,371
Due From General operations to Eliminate Fund	-	20,000
Inventories	6,085	5,100
Prepaid expenses	<u>6,201</u>	<u>-</u>
Total Current Assets	<u>80,679</u>	<u>190,404</u>
Long Term		
Long term investments - (see Note 2)	<u>2,202,724</u>	<u>2,000,192</u>
Total Assets	<u>\$ 2,283,403</u>	<u>\$ 2,190,596</u>
Liabilities		
Current		
Accounts payable and accrued charges	\$ 4,000	\$ 68,316
Due to ELIMINATE from General operations	<u>-</u>	<u>20,000</u>
Total Liabilities	<u>4,000</u>	<u>88,316</u>
NET ASSETS represented by:		
Net assets restricted for Scholarships (see Note 3)	620,000	620,000
Net assets restricted for Natural Disaster Relief	100,000	100,000
Net assets restricted for Youth	21,634	9,001
Net assets restricted for Summerland	26,420	29,420
Net assets restricted for Osborne	35,408	30,133
Unrestricted net assets - (see Note 6)	<u>1,475,941</u>	<u>1,313,726</u>
NET ASSETS	<u>2,279,403</u>	<u>2,102,280</u>
Total Liabilities and Net Assets	<u>\$ 2,283,403</u>	<u>\$ 2,190,596</u>

Approved on Behalf of the Board

_____ Director

_____ Director

Audited - See Independent Auditor's Report
D.M. Austin, CPA, Chartered Accountant

THE KIWANIS FOUNDATION OF CANADA INCORPORATED

STATEMENT OF GENERAL OPERATIONS FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>2017</u>	<u>2016</u>
RECEIPTS		
Contributions		
General club donations- (see Note 1 (d))	\$ 48,499	\$ 17,171
Youth program	8,520	9,560
Scholarship donations	8,583	9,560
Natural Disaster funds	5,150	6,336
Key Club Members	500	500
Osborne Scholarship contributions	15,275	16,180
ELIMINATE program	196,896	291,966
Matching scholarships	61,350	57,300
Memorial	1,775	2,808
Mel Osborne Fellowship	14,520	18,346
Miscellaneous projects	-	5,100
Total Receipts	<u>361,068</u>	<u>434,827</u>
Other Receipts		
Gain (Loss) on Investments	115,642	8,869
Pins and other	1,520	15,127
Interest and dividends earned	113,529	93,947
Other investment income	95	7,257
Total Other Receipts	<u>230,786</u>	<u>125,200</u>
Total Receipts	<u>591,854</u>	<u>560,027</u>
EXPENSES		
Administration services	14,173	16,322
Investment counselling fees	23,608	21,894
Printing/newsletters/brochures	6,676	7,278
Postage and shipping	3,039	2,888
Professional fees	4,149	3,775
Marketing and promotions	3,858	1,713
Stationary and supplies	932	1,111
Telephone	635	655
Travel and board expenses	10,928	5,983
Total Administrative Expenses	<u>67,998</u>	<u>61,619</u>
Projects		
Scholarships	87,080	96,330
Scholarships - Osborne	10,000	12,000
Scholarship - Summerland	3,000	-
Key club matching scholarships	15,750	23,050
Youth miscellaneous	4,113	3,200
Miscellaneous projects	-	26,795
Boys & Girls Club grant	4,500	3,000
New club grant	5,790	8,564
Discretionary funds	16,000	-
Eliminate	190,500	291,500
Fort MacMurray Disaster Relief	10,000	-
Total Projects Expenses	<u>346,733</u>	<u>464,439</u>
Total Expenses	<u>414,731</u>	<u>526,058</u>
Excess (Shortfall) of Receipts over Expenses for the year	<u>\$ 177,123</u>	<u>\$ 33,969</u>

Audited - See Independent Auditor's Report
D.M. Austin, CPA, Chartered Accountant

THE KIWANIS FOUNDATION OF CANADA INCORPORATED

STATEMENT OF CHANGES IN NET ASSETS

SEPTEMBER 30, 2017

NET ASSETS	Natural Disaster Relief	Scholarship Fund	Youth Fund	Summerland	Osborne	Unrestricted See Note 7	Total 2017	Total 2016
Balance, beginning of year	\$ 100,000	\$ 620,000	\$ 9,001	\$ 29,420	\$ 30,133	\$ 1,313,726	\$ 2,102,280	\$ 2,231,142
Excess of Revenue over Expenditures	4,851	88,683	12,633	(3,000)	5,275	68,681	177,123	33,969
Internally restricted transfers	(4,851)	(88,683)	-	-	-	93,534	-	-
Balance, end of year	\$ 100,000	\$ 620,000	\$ 21,634	\$ 26,420	\$ 35,408	\$ 1,475,941	\$ 2,279,403	\$ 2,265,111

Audited - See Independent Auditor's Report
D.M. Austin, CPA, Chartered Accountant

THE KIWANIS FOUNDATION OF CANADA INCORPORATED

Statement of Cash Flows

SEPTEMBER 30, 2017

	<u>2017</u>	<u>2016</u>
Cash Provided by Operating Activities		
Excess of Revenue over Expenses for the year	\$ <u>177,123</u>	\$ <u>33,969</u>
	177,123	33,969
Changes in non-cash working capital:		
Account receivable	29,582	(35,157)
Inventories	(985)	264
Prepaid expenses	(6,200)	-
Accounts Payable	<u>(84,318)</u>	<u>(2,252)</u>
	<u>(61,921)</u>	<u>(37,145)</u>
Net Cash Provided by Operating Activities	<u>115,202</u>	<u>(3,176)</u>
Decrease in investments	<u>(202,532)</u>	<u>28,730</u>
Cash Flows used in Investing Activities	<u>(202,532)</u>	<u>28,730</u>
Net Increase in Cash and Cash Equivalents	<u>(87,330)</u>	<u>25,554</u>
Net Cash and Cash Equivalents, beginning of year	<u>143,118</u>	<u>117,564</u>
Net Cash and Cash Equivalents, end of year	<u>\$ 55,788</u>	<u>\$ 143,118</u>

Cash includes cash and segregated cash.

	<u>2017</u>	<u>2016</u>
Cash and bank	\$ 48,319	\$ 111,015
Bank, restricted funds	<u>7,469</u>	<u>32,102</u>
Total	<u>\$ 55,788</u>	<u>\$ 143,117</u>

Audited - See Independent Auditor's Report
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THE KIWANIS FOUNDATION OF CANADA

INCORPORATED

Notes to the Financial Statements

SEPTEMBER 30, 2017

STATUS AND NATURE OF ACTIVITIES

The Kiwanis Foundation of Canada Incorporated is a non-profit charitable foundation organized to provide:

- financial support and promotion for sponsored youth programs.*
- district level training and education,*
- bursary program for high school graduates pursuing post-secondary studies,*
- assistance to the handicapped and the disadvantaged, and*
- funds for disaster relief and special causes*

The Foundation committed \$500,000 to the Eliminate Program on a matching basis with Kiwanis Clubs. This commitment has been fulfilled.

1. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant that are in addition to that note:

(a) Marketable Securities

Marketable securities are valued at the lower of cost and market value.

(b) Investments

The long term investments are recorded at cost with interest accrued to the financial statement date.

(c) Revenue Recognition

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue when received or receivable if the amount received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted income is recognized as revenue when earned.

(d) General Club Donation

The Club receives donations and allocates them as follows:

<i>Scholarships</i>	<i>- 25%</i>
<i>Youth Projects</i>	<i>- 15%</i>
<i>National Disaster</i>	<i>- 15%</i>
<i>General fund</i>	<i>- 35%</i>

If no fund is stated by the donor, donations are allocated in accordance with Board policy.

THE KIWANIS FOUNDATION OF CANADA

INCORPORATED

Notes to the Financial Statements

SEPTEMBER 30, 2017

(e) *Measurement Uncertainty*

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organization requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from management's best estimates as additional information becomes available. Differences are expected to be not material.

(f) *Contributed Services*

The work of the Foundation is dependent on the voluntary service of many members. Since these services are not normally purchased by the Foundation and while these services benefit the corporation, a reasonable estimate of their amount and fair value cannot be made. Accordingly, these contributed services are not recognized in the financial statements.

(g) *Financial Instruments*

All assets and liabilities, with the exception of prepaid expenses, are financial instruments and are initially recorded at fair market value and are subsequently recorded at amortized cost.

(h) *Income tax*

The corporation is a not-for-profit charitable foundation and is exempt from income taxes.

2. LONG-TERM INVESTMENTS

(See Note 5)

	<u>2017</u>	<u>2016</u>
Cash	\$ 32,694	\$ 25,648
GIC/Bonds	314,764	231,937
Mutual Funds	629,515	549,099
Common shares	1,204,646	1,173,122
Accrued interest	<u>21,105</u>	<u>20,386</u>
	<u>\$ 2,202,724</u>	<u>\$ 2,000,192</u>

Market value as at September 30, 2017 was \$2,827,564. (2016 - 2,562,225)

3. RESTRICTION ON NET ASSETS.

During the year, the Board of Directors internally restricted \$(93,534), (2016 6,420) of unrestricted net assets to be held for scholarship and other special purposes.

The total amount of restricted net assets are \$803,462, (2016 - \$788,554).

These internally restricted amounts are not available for any other purposes without expressed approval of the Board of Directors, subject to the conditions of the individual fund.

4. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities, are measured at fair value through the statement of general operations or fund operations, and transaction costs expensed when incurred. Subsequently, the entity measures all its financial assets and financial liabilities at amortized

THE KIWANIS FOUNDATION OF CANADA

INCORPORATED

Notes to the Financial Statements

SEPTEMBER 30, 2017

cost.

Financial assets measured at amortized cost include bank, investments, accounts receivable and interest receivable. Financial liabilities include accounts payable and accrued charges.

The entity has not designated any financial asset or liability to be measured at fair value.

5. RISK MANAGEMENT

General Objective, Policies and Processes:

The Foundation may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives.

The Board and management are responsible for determination of the Foundation's risk management objectives and policies and designing operating processes that ensure the effective implementation of the objectives and policies. In general, the Foundation measures and monitors risk through the preparation and review of monthly reports by management. The main objectives of the Organization's risk management processes are to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The Organization may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The principal risks to which the Organization is exposed to are described below.

Credit Risk

Financial instruments potentially exposed to credit risk include cash, accounts receivable and investments. Management considers its exposure to credit risk over cash and cash equivalents to be remote as the Foundation holds cash deposits at major Canadian Chartered banks and investment brokers. Accounts receivable are not concentrated and the carrying amount of accounts receivable represents the maximum credit risk exposure.

The organization may, from time to time, invest in debt obligations and commercial paper of governments and corporations. Such investments are limited to those issuers carrying an investment grade credit rating. In addition, the organization limits an amount which is invested in issuers of any one government or corporation. Management has assessed its credit risk as not material and is unchanged from the prior year.

Market Risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Organization is exposed to these risks as the ability of the Organization to fund its programs is related to the market price of certain minerals. Management has assessed its market risk as not material and is unchanged from the prior year.

THE KIWANIS FOUNDATION OF CANADA

INCORPORATED

Notes to the Financial Statements

SEPTEMBER 30, 2017

Interest rate risk

The Organization has cash balances and various investments. The Organization's current policy is to deposit excess cash in interest bearing accounts at its banking institutions. Management has assessed its exposure to significant interest rate risk arising from fluctuations in interest rates as not material and is unchanged from the prior year.

Liquidity Risk

Liquidity risk is the risk the Foundation will not be able to meet its financial obligations as they come due. The Foundation has taken steps to ensure that it will have sufficient working capital available to meet its obligations. They have assessed their liquidity risk as not material and is unchanged from the prior year.

6. CAPITAL MANAGEMENT

The Foundation considers its capital to be its fund balance. The Foundation is not required to comply with any externally imposed capital requirements.

The Foundation manages capital to safeguard the organization's ability to operate and to meet its financial obligations as they become due. The Board has established an investment policy that requires an investment ratio of sixty percent equity vehicles and forty percent bonds.

7. RELATED PARTIES

During the year, approximately \$23,830 was received from Board members. (prior year - \$(7,620)). Net Board expenses, after donations from Board member were \$ 10,928 (prior year - \$5,983). These transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. MISCELLANEOUS PROJECTS

In 2016, miscellaneous projects include a one time payments of \$10,000 each to McMaster University-Epilepsy Research and Special PNW-Special Middle School .