

**THE KIWANIS FOUNDATION OF
CANADA INCORPORATED**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

THE KIWANIS FOUNDATION OF CANADA INCORPORATED

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Kiwanis Foundation of Canada Incorporated

Qualified Opinion

We have audited the accompanying financial statements of The Kiwanis Foundation of Canada Incorporated, which comprise the statement of financial position as at September 30, 2023 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effect of the matter described in the Basis of Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the corporation as at September 30, 2023 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.

Basis for Opinion

In common with many charitable organizations, the corporation derives part of its revenue from donations and fundraising events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our examination of these revenues was limited to the amounts recorded in the records of the corporation and we were not able to determine whether any adjustment might be necessary to fundraising, deficiency of revenues over expenses, assets and net assets and special purpose funds.

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 corporation 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.

Other Matters - Comparative Financial Statements

The financial statements for the year ended September 30, 2022 were audited by another accounting firm. We draw your attention to Note 3 of the financial statements, which indicated that the comparative financial statements have been restated due to an accounting policy change on marketable securities.

Responsibilities of Management and Those charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting standards for not-for-profit organizations, and for such internal controls as management determines are 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 corporation'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 corporation or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the corporation's financial reporting process.

Auditors' Responsibility 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 corporation'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 corporation'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 entity 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.

TURNERMOORE LLP

April 02, 2024
Ajax, Ontario

Chartered Professional Accountants
Licensed Public Accountants

THE KIWANIS FOUNDATION OF CANADA INCORPORATED
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2023

| | 2023 | 2022 (Restated, Note 3) |
|--|---------------------|-------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 52,773 | \$ 290,033 |
| Marketable securities <i>(Note 4)</i> | 2,994,678 | 2,957,952 |
| Accounts receivable | - | 1,063 |
| Due from government agencies | 11,290 | 6,828 |
| Inventory | 4,031 | 6,018 |
| | \$ 3,062,772 | \$ 3,261,894 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 77,209 | \$ 113,028 |
| Deferred contributions | 74,407 | 62,872 |
| | 151,616 | 175,900 |
| NET ASSETS | | |
| Scholarship fund | 322,414 | 360,336 |
| Natural disaster relief fund | 51,409 | 100,000 |
| Youth fund | 22,806 | 22,806 |
| Summerland Fund | 8,188 | 9,188 |
| Osborne scholarship fund | 47,728 | 47,728 |
| Caribbean relief fund | 46,058 | 46,058 |
| Dr. John Button fund | 25,329 | 25,329 |
| Unrestricted net assets | 2,387,224 | 2,474,549 |
| | 2,911,156 | 3,085,994 |
| | \$ 3,062,772 | \$ 3,261,894 |

Approved on behalf of the Board:



Director

The accompanying notes are an integral part of these financial statements

THE KIWANIS FOUNDATION OF CANADA INCORPORATED
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | Scholarship Fund | Natural Disaster Relief Fund | Youth Fund | Summerland Fund | Osborne Scholarship Fund | Caribbean Relief Fund | Dr. John Button Fund | Unrestricted Net Assets | Total Net Assets 2023 | Total Net Assets 2022 |
|--|------------------|------------------------------|------------|-----------------|--------------------------|-----------------------|----------------------|-------------------------|-----------------------|-----------------------|
| BALANCE, BEGINNING OF THE YEAR AS PREVIOUSLY REPORTED | \$ 360,336 | \$ 100,000 | \$ 22,806 | \$ 9,188 | \$ 47,728 | \$ 46,058 | \$ 25,329 | \$ 1,650,741 | \$ 2,262,186 | \$ 2,284,333 |
| Correction of prior-period error (Note 3) | - | - | - | - | - | - | - | 823,808 | 823,808 | 1,065,726 |
| BALANCE, BEGINNING OF THE YEAR AS RESTATED | 360,336 | 100,000 | 22,806 | 9,188 | 47,728 | 46,058 | 25,329 | 2,474,549 | 3,085,994 | 3,350,059 |
| Receipts | 99,778 | 6,909 | 11,500 | - | 10,500 | - | 5,376 | 40,769 | 174,832 | 188,639 |
| Expenses | (137,700) | (55,500) | (11,500) | (1,000) | (10,500) | - | (5,376) | (128,094) | (349,670) | (452,704) |
| Increase (decrease) in fund for the year | (37,922) | (48,591) | - | (1,000) | - | - | - | (87,325) | (174,838) | (264,065) |
| BALANCE, END OF YEAR | \$ 322,414 | \$ 51,409 | \$ 22,806 | \$ 8,188 | \$ 47,728 | \$ 46,058 | \$ 25,329 | \$ 2,387,224 | \$ 2,911,156 | \$ 3,085,994 |

The accompanying notes are an integral part of these financial statements

THE KIWANIS FOUNDATION OF CANADA INCORPORATED
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | 2023 | 2022 (Restated, Note 3) |
|--|---------------------|-------------------------------|
| REVENUE | | |
| Matching scholarships | \$ 88,251 | \$ 80,600 |
| General donations <i>(Notes 5, 6)</i> | 47,760 | 33,450 |
| Scholarship donations | 11,527 | 11,086 |
| Youth program | 11,500 | 6,605 |
| Osborne scholarship | 10,500 | 10,500 |
| Natural disaster funds | 6,909 | 87,500 |
| Dr. John Button scholarship | 5,376 | 5,250 |
| Memorial | 1,415 | 1,890 |
| Staples scholarship | - | 30,000 |
| KCCBCY (PNW Project) | - | 2,300 |
| Brandon playground | - | 300 |
| | 183,238 | 269,481 |
| EXPENDITURES | | |
| Programs <i>(Schedule of operations)</i> | 264,982 | 379,688 |
| Administration <i>(Schedule of operations)</i> | 84,688 | 73,016 |
| | 349,670 | 452,704 |
| DEFICIENCY OF REVENUE OVER EXPENDITURES FROM OPERATIONS | (166,432) | (183,223) |
| OTHER INCOME (EXPENSE) | | |
| Investment income | 150,795 | 170,183 |
| Realized loss on investments | (41,165) | (9,107) |
| Unrealized loss on investments | (118,036) | (241,918) |
| | (8,406) | (80,842) |
| DEFICIENCY OF REVENUE OVER EXPENDITURES | \$ (174,838) | \$ (264,065) |

The accompanying notes are an integral part of these financial statements

THE KIWANIS FOUNDATION OF CANADA INCORPORATED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | 2023 | 2022 (Restated, Note 3) |
|--|---------------------|-------------------------------|
| OPERATING ACTIVITIES | | |
| Deficiency of revenue over expenditures | \$ (174,838) | \$ (264,065) |
| Items not requiring an outlay of funds | | |
| Loss on disposal of investments | 41,165 | 9,107 |
| Contributed investment shares | (3,364) | (5,292) |
| Unrealized loss on investments | 118,036 | 241,918 |
| | (19,001) | (18,332) |
| Changes in non-cash working capital | | |
| Accounts receivable | 1,063 | 6,577 |
| Due from government agencies | (4,462) | 4,607 |
| Inventory | 1,987 | - |
| Accounts payable and accrued liabilities | (35,820) | 85,638 |
| Deferred contributions | 11,535 | 48,394 |
| Net cash (used in) provided by operations | (44,698) | 126,884 |
| INVESTING ACTIVITIES | | |
| (Acquisition) disposal of marketable securities | (192,562) | 107,063 |
| Net cash (used in) provided by investing activities | (192,562) | 107,063 |
| Net (decrease) increase in cash | (237,260) | 233,947 |
| Cash, beginning the year | 290,033 | 56,086 |
| Cash, end the year | \$ 52,773 | \$ 290,033 |

The accompanying notes are an integral part of these financial statements

THE KIWANIS FOUNDATION OF CANADA INCORPORATED
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

1 NATURE OF OPERATIONS

The Kiwanis Foundation of Canada Incorporated (the Foundation) was a registered charity until November 25, 2023 (Note 7). The Foundation is 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;
- Funds for disaster relief and special causes.

The foundation was incorporated on September 28, 1973 under the Business Corporations Act in Ontario without share capital as a not-for-profit organization. It was a registered charity under the Income Tax Act, and as a result, the organization was exempt from income taxation under Section 149 of the Income Tax Act.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Foundation have been prepared in accordance with Canadian accounting standards for not-for-profit organization (ASNPO) and are in accordance with Canadian generally accepted accounting principles which include the following significant accounting policies:

Use of Estimates

The preparation of financial statements in accordance with ASNPO 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 period. Key areas where management has made subjective judgments include accrued liabilities and allocation of expenditures. Actual results could differ from management's best estimates as additional information becomes available in the future.

THE KIWANIS FOUNDATION OF CANADA INCORPORATED
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Revenue Recognition

The Foundation follows the deferral method of accounting for contributions, recognizing the amounts as revenue in the year in which the related expenses are incurred for current expenditures.

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.

Restricted contributions and related expenses are recognized directly in the Restricted Fund to which they relate. Internally restricted net assets are not available for any other purposes without expressed approval of the Board of Directors, subject to the conditions of the individual fund.

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

Unrestricted investment income is recognized as revenue when earned.

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 Foundation, a reasonable estimate of their amount and fair value cannot be made. Accordingly, these contributed services are not recognized in these financial statements..

General Club Donations

If no fund is stated by the donor, donations are designated/allocated in accordance with Board policy as follows:

| | |
|-------------------|-----|
| Scholarships | 25% |
| Youth Projects | 25% |
| National Disaster | 15% |
| General Fund | 35% |

Marketable securities

Marketable securities are reported at fair value with unrealized gains and losses reported in income.

THE KIWANIS FOUNDATION OF CANADA INCORPORATED
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Inventory

Inventory is recorded at the lower of cost and net realizable value and is measured on a first-in, first-out basis. It consists of rewards supplies, medallions, ribbons, and shadow boxes. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and costs necessary to make the sale. When the reversal of previously written down inventory is recognized, the reversal is recognized in income..

Net assets

Net asset consist of internally restricted funds held for special projects and unrestricted net assets. Unrestricted net assets comprise the excess of revenue over expenses accumulated by the Foundation each year, net of transfers, and are available for general purposes.

Financial Instruments

The Foundation initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost includes accounts payable and accrued liabilities.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of such. The amount of write-down is recognized in operations. A previously recognized impairment loss may be reversed to the extent of a recovery in value, directly or by adjusting the allowance account. The amount of reversal is recognized in operations.

3 PRIOR PERIOD ADJUSTMENT

The foundation learned that marketable securities were recorded at cost in the previous years when they should have been recognized at fair value. The 2022 comparative financial statements have been restated to reflect this correction, which results in opening net asset increased by \$1,065,726 and an unrealized loss on investment of \$241,918.

THE KIWANIS FOUNDATION OF CANADA INCORPORATED
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

4 MARKETABLE SECURITIES

| | Cost | Unrealized gain | Fair Value |
|--------------------------|---------------------|--------------------|---------------------|
| Common shares | \$ 1,579,342 | \$ 610,502 | \$ 2,189,844 |
| Mutual funds | 441,761 | 37,816 | 479,577 |
| Fixed income instruments | 225,000 | 10,572 | 235,572 |
| Foreign securities | 40,729 | 48,956 | 89,685 |
| | \$ 2,286,832 | \$ 707,846 | \$ 2,994,678 |

5 NON-MONETARY TRANSACTIONS

During the year, the Foundation received contributed investment shares in an amount of \$3,370 which is the fair value on the date of contribution (2022 - \$5,292).

6 RELATED PARTY TRANSACTIONS

Related parties are members of the board of directors and their immediate family members. During the year, the following transactions were recognized in the statement of operations:

- Contributions received from the Board members were \$6,335 (2022 - \$1,250);
- Reimbursements for incurred expenses \$24,428 net of tax (2022 - \$1,210);
- Office administration fees \$6,389 (2022 - \$3,696).

These transactions are in the normal course of operations and are measured at an exchange amount, which is the amount of consideration established and agreed to by the related parties.

7 SUBSEQUENT EVENT

Subsequent to the fiscal year-end of September 30, 2023, the Foundation was notified of the revocation of its registered charity status by the Canada Revenue Agency (CRA) due to late filing of registered charity information return, effective November 25, 2023.

In response to the revocation, the Foundation has undertaken several corrective actions aimed at addressing the compliance issues identified by the CRA. The Foundation submitted a comprehensive reapplication to CRA in February 2024 and is not to provide tax receipts until the issue is resolved. The application has not been completed by CRA as of this audit report date.

Despite the challenges presented by this subsequent event, the Foundation remains dedicated to fulfilling its missions.

THE KIWANIS FOUNDATION OF CANADA INCORPORATED
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

8 FINANCIAL INSTRUMENTS

Risks and concentrations

The Foundation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides a measure of the Foundation's risk exposure and concentrations at September 30, 2023:

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation is exposed to credit risk arising from its cash balances, contribution receivable from donors and HST recoverable. In order to reduce its credit risk, the Foundation recognizes contributions receivable only when there is reasonable expectation of collection. The Foundation has historically not had any significant issues with collection. The Foundation manages its credit risk from cash balances by maintaining its accounts with creditworthy financial institutions.

Liquidity Risk

Liquidity risk is the risk that an entity may encounter difficulty in meeting obligations associated with financial liabilities. The Foundation is exposed to liquidity risk mainly in respect of its accounts payable and accrued liabilities. The Foundation believes that its recurring financial resources are adequate to cover all its expenditures.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation's exposure to interest rate risk is on its investments in marketable securities. The Company does not use derivative financial instruments to alter the effects of this risk.

9 COMPARATIVE FIGURES

Certain prior year's figures have been reclassified for comparative purposes to conform with current year presentation.

THE KIWANIS FOUNDATION OF CANADA INCORPORATED
SCHEDULE OF OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | 2023 | 2022 (Restated, Note 3) |
|--|-------------------|-------------------------------|
| Programs | | |
| Scholarships | \$ 137,700 | \$ 131,350 |
| Natural disaster relief | 55,500 | 147,135 |
| Scholarships - KCCBCY | 19,300 | 21,300 |
| Youth grant | 11,500 | 6,605 |
| Scholarships - Osborne | 10,500 | 10,500 |
| Discretionary funds | 10,000 | 20,300 |
| New club grant | 7,700 | 3,498 |
| Dr. John Button award | 5,376 | 5,000 |
| Miscellaneous projects | 2,606 | 2,000 |
| Flight for freedom | 2,300 | - |
| Key leader | 1,500 | - |
| Scholarships - Summerland | 1,000 | 2,000 |
| Scholarships - Staples | - | 30,000 |
| | \$ 264,982 | \$ 379,688 |
| Administration | | |
| Investment counselling fees | 31,159 | 33,385 |
| Travel <i>(Note 6)</i> | 24,428 | - |
| Promotions and awards | 9,583 | 17,892 |
| General administration <i>(Note 6)</i> | 7,343 | 8,396 |
| Professional fees | 6,436 | 6,029 |
| Stationary and supplies | 2,611 | 2,995 |
| Postage and shipping | 2,339 | 2,646 |
| Bank charges and interest | 789 | 1,673 |
| | \$ 84,688 | \$ 73,016 |