

CKNW Kids' Fund

Financial statements

December 31, 2018



Independent auditor's report

To the Board of Directors of
CKNW Kids' Fund

Report on the audit of the financial statements

Qualified opinion

We have audited the financial statements of **CKNW Kids' Fund** [the "Fund"], which comprise the statement of financial position as at December 31, 2018, and the statement of changes in net assets, statement of operations and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2018, 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 qualified opinion

In common with many charitable organizations, the Fund derives revenue from contributions, 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 Fund and we were unable to determine whether any adjustments might be necessary to contribution revenue, excess (deficiency) of revenue over expenses, and cash flows from operations for the years ended December 31, 2018 and 2017, total assets as at December 31, 2018 and 2017, and net assets at both the beginning and end of the December 31, 2018 and 2017 years.

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 Fund 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 qualified opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the Community Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

The Community Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.



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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund'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 Fund'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 Fund'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 Fund 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.

Report on other legal and regulatory requirements

As required by the *Societies Act* (British Columbia), we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Vancouver, Canada
June 12, 2019

Ernst + Young LLP

Chartered Professional Accountants

CKNW Kids' Fund

Statement of financial position

As at December 31

	2018	2017
	\$	\$
Assets		
Current		
Cash	1,718,280	1,555,122
Accounts receivable	16,458	15,165
Investments <i>[note 3]</i>	1,594,702	1,589,516
Total current assets	3,329,440	3,159,803
Restricted investments <i>[notes 3 and 4]</i>	1,198,237	1,276,677
	4,527,677	4,436,480
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	713,740	536,101
Deferred contributions <i>[note 4]</i>	89,420	169,601
Total current liabilities	803,160	705,702
Net assets		
Endowment fund <i>[note 4]</i>	1,069,829	1,065,367
Unrestricted	2,654,688	2,665,411
Total net assets	3,724,517	3,730,778
	4,527,677	4,436,480

See accompanying notes

On behalf of the Board:

Director

Director

CKNW Kids' Fund

Statement of changes in net assets

Year ended December 31

	2018			2017	
	Endowment	Restricted	Unrestricted	Total	Total
	fund				
	\$	\$	\$	\$	\$
Balance, beginning of year	1,065,367	—	2,665,411	3,730,778	3,115,622
Excess (deficiency) of revenue over expenses for the year	—	—	(10,723)	(10,723)	610,156
Endowment contribution	4,462	—	—	4,462	5,000
Restricted investment (loss) income	—	(41,202)	—	(41,202)	93,524
Deferred contributions	—	41,202	—	41,202	(93,524)
Youth at Risk program	—	38,979	(38,979)	—	—
Restricted investments	—	(38,979)	38,979	—	—
Balance, end of year	1,069,829	—	2,654,688	3,724,517	3,730,778

See accompanying notes

CKNW Kids' Fund

Statement of operations

Year ended December 31

	2018	2017
	\$	\$
Revenue		
Contributions	1,413,951	1,075,560
Bequests	50,571	519,156
Other fundraising revenue	764,037	821,603
	<u>2,228,559</u>	<u>2,416,319</u>
Expenses		
Direct disbursements and assistance	1,645,033	1,408,117
Bursary endowments and special projects	38,900	41,700
Administration	336,982	317,005
Orphans' picnic	134,151	121,420
Fundraising	59,299	37,811
	<u>2,214,365</u>	<u>1,926,053</u>
Excess of revenue over expenses before the following	14,194	490,266
Investment income (loss), net of management fees of \$21,657 [2017 – \$20,715]	(24,917)	119,890
Excess (deficiency) of revenue over expenses for the year	<u>(10,723)</u>	<u>610,156</u>

See accompanying notes

CKNW Kids' Fund

Statement of cash flows

Year ended December 31

	2018	2017
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses for the year	(10,723)	610,156
Add (deduct) items not involving cash		
Unrealized loss (gain) on investments	84,466	(53,552)
Donations of equity securities	(27,381)	(58,439)
Deferred contributions recognized as revenue	(38,979)	(41,709)
Changes in non-cash working capital		
Accounts receivable	(1,293)	(10,316)
Accounts payable and accrued liabilities	177,639	61,338
Cash provided by operating activities	183,729	507,478
Investing activities		
Net investment income reinvested – unrestricted	(20,571)	(24,629)
Net investment income reinvested – restricted	(38,979)	(41,709)
Investment of endowment contribution	(4,462)	(5,000)
Transfer to investments	41,700	32,600
Transfer from restricted investments	(41,700)	(32,600)
Cash used in investing activities	(64,012)	(71,338)
Financing activities		
Endowment contribution	4,462	5,000
Deferred contribution	38,979	41,709
Cash provided by financing activities	43,441	46,709
Net increase in cash during the year	163,158	482,849
Cash, beginning of year	1,555,122	1,072,273
Cash, end of year	1,718,280	1,555,122
Supplementary cash flow information		
Unrealized loss (gain) on restricted investments	80,181	(51,815)

See accompanying notes

CKNW Kids' Fund

Notes to financial statements

December 31, 2018

1. Nature of operations

CKNW Kids' Fund [the "Fund"], formerly CKNW Orphans Fund, was incorporated on November 23, 1949 under the *Society Act* (British Columbia) to promote the mental and physical health and welfare of children and certain adults who are disadvantaged and reside within the Province of British Columbia. The Fund transitioned to the new *Societies Act* (British Columbia) in 2017.

The Fund is a registered charity within the meaning of the *Income Tax Act* (Canada) and is exempt from income taxes and capital taxes.

2. Significant accounting policies

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, "Accounting Standards for Not-for-Profit Organizations", which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

Revenue recognition

The Fund 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 to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets. Deferred revenue represents restricted income earned in the Endowment Fund.

Investment income includes interest and dividend income, pooled fund income, realized investment gains and losses on sales of investments, and unrealized gains and losses on investments measured at fair value. Interest income is recognized with the passage of time, dividend income is recognized based on the ex-dividend date, pooled fund income is recognized on the date of distribution by the fund, realized gains and loss are recognized based on the trade date, and unrealized gains and losses are recognized based at the Fund's balance sheet date. Investment income is recorded in the statement of operations, except to the extent that it is externally restricted, in which case it is recognized in deferred contributions.

Cash

Cash consists of cash on deposit with banks and, if applicable, highly liquid short-term investments with a term to maturity of three months or less from the date of purchase, unless they are held for investment rather than liquidity purposes, in which case they are classified as investments.

Financial instruments

The Fund initially and subsequently measures its investments at fair value. Directly attributable costs incurred on the acquisition of equity investments quoted in an active market are expensed as incurred.

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All other financial assets and financial liabilities are initially measured at fair value, net of directly attributable costs of acquisition, and subsequently measured at cost or amortized cost. At each reporting date, the Fund assesses whether there are any indications that a financial asset measured at cost or amortized may be impaired. The amount of any impairment provision is recognized in the statement of operations. A previously recognized impairment provision may be reversed to the extent of any improvements relating to events occurring after the impairment was recognized. The amount of the reversal is recognized in the statement of operations in the period in which it is determined.

Contributed materials and services

Contributed materials and services are recorded at fair value when fair value can be reasonably estimated.

Volunteers contribute an indeterminable number of hours per year. Because of the difficulty in determining their fair value, volunteer hours are not recognized in the financial statements.

Allocation of expenses

The costs of personnel and other expenses directly related to functions are allocated to each function on the basis of hours incurred directly in undertaking a function. General support and other costs are not allocated.

3. Investments

	2018	2017
	\$	\$
Unrestricted		
Cash	195,982	70,613
Canadian bonds	690,183	625,290
Canadian equities	600,126	858,566
Foreign equities	108,411	35,047
	<u>1,594,702</u>	<u>1,589,516</u>
Endowment fund and restricted [note 4]		
Cash	133,530	30,469
Canadian bonds	413,109	416,542
Canadian equities	549,484	794,258
Foreign equities	102,114	35,408
	<u>1,198,237</u>	<u>1,276,677</u>
	<u>2,792,939</u>	<u>2,866,193</u>

Investments in pooled funds have been allocated among the asset classes based on the underlying investments held in the pooled funds.

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4. Endowment fund

The Josias Vandriel Fund was established by bequests subject to a restriction that the principal amount be maintained in perpetuity. Investment income earned on the principal amount is restricted for use in the Youth at Risk program and is recorded in deferred contributions. Subsequently, the investment income is recognized as revenue in the same period in which the related expenses are incurred for the Youth at Risk program.

5. Related party transactions

Corus Entertainment Inc. is considered a related party as it established the Fund. Corus Entertainment Inc. provides promotional services to the Fund. No amounts were recorded in the financial statements of the Fund with respect to these services as the fair value was not readily determinable.

6. Financial instruments

Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's cash earns interest at market rates and the Fund has investments in certain fixed income securities. The Fund does not use derivative financial instruments to manage the effects of this risk.

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 Fund is exposed to credit risk in the event of non-performance by counterparties primarily in connection with its cash and certain investments. The Fund mitigates its credit risk with respect to cash by dealing with Canadian financial institutions with no publicly known liquidity problems.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund is not exposed to liquidity risk through its accounts payable and accrued liabilities.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund has investments denominated in US dollars and thus the Fund is exposed to the risk of fluctuations in earnings and cash flows arising from changes in the exchange rate between the Canadian dollar and the US dollar and the degree of volatility in that rate.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market. The Fund is exposed to other price risk from investments held by the Fund for which future prices are uncertain. The Fund

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manages price risk by allocating its investments across different investment managers and different types of investments and underlying industries.

7. Remuneration to directors, employees and contractors

The directors of the Fund are not remunerated.

The employees or contractors of the Fund with the highest remuneration greater than \$75,000 include the Executive Director of the Fund. The total remuneration paid for this position in the year was \$91,000 [2017 – \$91,000].