

Financial Statements of

**MAKE-A-WISH FOUNDATION
OF CANADA**

Year ended December 31, 2018



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Make-A-Wish Foundation of Canada

Qualified Opinion

We have audited the financial statements of Make-A-Wish Foundation of Canada (the Entity), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, except for the possible effects of the matter described in the “***Basis for Qualified Opinion***” section of our auditors’ report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its results of 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 not-for-profit organizations, the Entity derives revenue from donations and fundraising and donations-in-kind, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity.



Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at December 31, 2018 and December 31, 2017;
- the donations and fundraising and donations-in-kind revenues and excess of revenues over expenditures reported in the statements of operations for the years ended December 31, 2018 and December 31, 2017;
- the unrestricted net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended December 31, 2018 and December 31, 2017;
- the excess of revenues over expenditures reported in the statements of cash flows for the years ended December 31, 2018 and December 31, 2017.

Our opinion on the financial statements for the year ended December 31, 2017 was qualified accordingly because of the possible effects on this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditors’ Responsibilities for the Audit of the Financial Statements**” section of our auditors’ report.

We are independent of the Entity 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.

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 Entity’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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.



Auditors' 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 auditors' 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.



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- 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 6, 2019

Vaughan, Canada

MAKE-A-WISH FOUNDATION OF CANADA

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,108,091	\$ 1,025,195
Short-term investments (note 2)	657,282	725,686
Accounts receivable (note 6)	585,925	579,710
Prepaid expenses	118,117	265,767
Loans receivable (note 3)	112,000	112,000
	<u>3,581,415</u>	<u>2,708,358</u>
Capital assets (note 4)	682,960	559,516
Long-term investments (note 5)	845,651	870,053
	<u>\$ 5,110,026</u>	<u>\$ 4,137,927</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 377,562	\$ 335,492
Deferred revenue	643,894	98,783
	<u>1,021,456</u>	<u>434,275</u>
Net assets:		
Invested in capital assets	682,960	559,516
Unrestricted	2,855,610	2,594,136
Internally restricted (note 7)	550,000	550,000
	<u>4,088,570</u>	<u>3,703,652</u>
Lease commitments (note 10)		
	<u>\$ 5,110,026</u>	<u>\$ 4,137,927</u>

See accompanying notes to financial statements.

On behalf of the Board:



Chair



Treasurer

MAKE-A-WISH FOUNDATION OF CANADA

Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Donations and fundraising	\$ 4,832,117	\$ 4,356,508
Donations-in-kind	4,119,332	3,533,093
Chapter dues (note 6)	410,993	430,622
Bequests	205,509	97,418
Miscellaneous income (note 8)	4,682	65,585
	<u>9,572,633</u>	<u>8,483,226</u>
Expenditures (note 9):		
Programs	7,624,718	6,779,972
Fundraising	1,284,790	1,074,877
General and administration	278,207	304,946
	<u>9,187,715</u>	<u>8,159,795</u>
Excess of revenue over expenditures	\$ 384,918	\$ 323,431

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION OF CANADA

Statement of Changes in Net Assets

Year ended December 31, 2018, with comparative information for 2017

				2018	2017
	Invested in capital assets	Internally restricted (note 7)	Unrestricted	Total	Total
Net assets, beginning of year	\$ 559,516	\$ 550,000	\$ 2,594,136	\$ 3,703,652	\$ 3,380,221
Excess (deficiency) of revenue over expenditures	(89,724)	(30,000)	504,642	384,918	323,431
Investment in capital assets	213,168	-	(213,168)	-	-
Interfund transfer (note 7)	-	30,000	(30,000)	-	-
Net assets, end of year	\$ 682,960	\$ 550,000	\$ 2,855,610	\$ 4,088,570	\$ 3,703,652

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION OF CANADA

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Excess of revenue over expenditures	\$ 384,918	\$ 323,431
Items not involving cash:		
Amortization of capital assets	89,724	62,760
Realized (gain) loss on disposal of investments	(12,739)	1,851
Unrealized (gain) loss on investments	91,145	(51,757)
Changes in non-cash operating working capital:		
Accounts receivable	(6,215)	(78,739)
Prepaid expenses	147,650	(153,096)
Accounts payable and accrued liabilities	42,070	57,202
Deferred revenue	545,111	(9,221)
	<u>1,281,664</u>	<u>152,431</u>
Investments:		
Additions to capital assets	(213,168)	(188,749)
Proceeds on disposal of investments	137,976	106,821
Purchase of investments	(123,576)	(478,978)
	<u>(198,768)</u>	<u>(560,906)</u>
Increase (decrease) in cash and cash equivalents	1,082,896	(408,475)
Cash and cash equivalents, beginning of year	1,025,195	1,433,670
Cash and cash equivalents, end of year	<u>\$ 2,108,091</u>	<u>\$ 1,025,195</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION OF CANADA

Notes to Financial Statements

Year ended December 31, 2018

Make-A-Wish Foundation of Canada (the "Entity"), a not-for-profit organization, operates under the Society Act of British Columbia. The Entity is licensed by Make-A-Wish Foundation International and, in turn, sub-licenses seven chapters (the "Chapters") across Canada. The Chapters' sole purpose is to grant special wishes to children between the ages of 3 through 17 who have been diagnosed with a life-threatening medical condition.

The Entity oversees national licensing and operational compliance, provision of technical, administrative, fundraising and financial support to the Chapters and mission delivery in provinces and territories that do not have an established chapter.

The Entity is a registered charity under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act (Canada) are met.

1. Significant accounting policies:

The financial statements are prepared by management in accordance with Canadian accounting standards for Not-For-Profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook.

(a) Revenue recognition:

The Entity follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures 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. Deferred revenue consists of prepayments for events to be held in a future period.

(b) Donations-in-kind:

Donations-in-kind are recognized when fair value can be reasonably estimated and when the materials and services are used in the normal course of the Entity's operations and would otherwise have been purchased.

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 Entity.

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, short-term deposits and investments, which are highly liquid with original maturities of less than three months.

MAKE-A-WISH FOUNDATION OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(d) Capital assets:

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expenditures. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Entity's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized over the estimated useful lives on a straight-line basis using the following annual rates:

Software	7 years
Leasehold improvements	Term of lease

(e) Expenditure allocations:

The Entity classifies expenditures on the statement of operations by function. Expenditures are allocated to the functional areas of programs, fundraising and general and administration based upon staff time directed to those functional areas.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Entity has elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

MAKE-A-WISH FOUNDATION OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Entity determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Entity expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(g) Foreign currency translation:

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rates of exchange at the year end date. Revenue and expenditures are translated at the exchange rates prevailing on the transaction date. Realized and unrealized exchange gains and losses are included in the statement of operations.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the year. Actual results could differ from those estimates.

2. Short-term investments:

	2018		2017	
	Cost	Market	Cost	Market
Equities	\$ 620,688	\$ 632,251	\$ 554,407	\$ 650,686
Fixed income bond, bearing interest of 2.10% (2017 - 1.10%) per annum, maturing August 9, 2019 (2017 - November 27, 2018)	25,996	25,031	75,000	75,000
	\$ 646,684	\$ 657,282	\$ 629,407	\$ 725,686

MAKE-A-WISH FOUNDATION OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2018

2. Short-term investments (continued):

Market and credit risk:

The value of equities changes with stock market conditions, which are affected by general economic and market conditions. The value of securities will vary with developments within the specific companies which issue the securities.

3. Loans receivable:

The Entity loaned the Chapter in Eastern Ontario a total of \$112,000 (2017 - \$112,000) which is unsecured, non-interest bearing and has no fixed terms of repayment.

4. Capital assets:

	2018		2017	
	Cost	Accumulated amortization	Net book value	Net book value
Software	\$ 773,533	\$ 179,233	\$ 594,300	\$ 461,184
Leasehold improvements	120,017	31,357	88,660	98,332
	\$ 893,550	\$ 210,590	\$ 682,960	\$ 559,516

5. Long-term investments:

	2018		2017	
	Cost	Market	Cost	Market
Fixed income	\$ 436,672	\$ 424,635	\$ 512,500	\$ 504,517
Government bonds	429,344	421,016	372,361	365,536
	\$ 866,016	\$ 845,651	\$ 884,861	\$ 870,053

MAKE-A-WISH FOUNDATION OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2018

5. Long-term investments (continued):

The fixed income investments consist of corporate bonds and debentures, bearing interest from 1.20% to 3.75% (2017 - 1.50% to 3.50%) per annum, with maturity dates ranging from December 13, 2020 to January 17, 2025 (2017 - September 8, 2019 to September 1, 2025). The government bonds bear interest at rates ranging from 1.50% to 3.50% (2017 - 1.10% to 3.75%) with maturity dates ranging from July 15, 2020 to February 6, 2025 (2017 - September 8, 2019 to September 1, 2025).

(a) Interest rate risk:

The value of long-term investments will generally increase if interest rates fall and will decrease if interest rates rise.

(b) Market and credit risk:

The risks associated with the corporate bonds and debentures are the risks associated with the bonds in which the funds are invested. The value of debt instruments will vary with developments within the specific companies or governments which issue the securities or debt instruments.

6. Related party transactions:

The Entity charges dues to the Chapters equal to 5.0% (2017 - 5.0%) of prior fiscal year assessable revenue. During the year, the Chapters' dues charged amounted to \$410,993 (2017 - \$430,622).

Included in programs expenditures are gifts in-kind utilized by the Chapters of \$3,273,744 (2017 - \$2,822,035) and cash distributions of \$492,536 (2017 - \$571,735).

The Entity is also affiliated with Make-A-Wish Foundation International and Make-A-Wish Foundation America. The Entity paid fees of \$296,856 (2017 - \$361,628) to those organizations in support of mission delivery to children around the world.

Included in accounts receivable are amounts due from the Chapters of \$61,624 (2017 - \$108,199), Make-A-Wish Foundation International of nil (2017 - \$36,857) and Make-A-Wish Foundation America of nil (2017 - \$32,360).

Included in accounts payable and accrued liabilities are amounts payable to Make-A-Wish Foundation Chapters of \$30,654 (2017 - \$67,781), Make-A-Wish Foundation International of \$4,179 (2017 - \$4,554) and Make-A-Wish Foundation America of \$1,815 (2017 - \$462).

MAKE-A-WISH FOUNDATION OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2018

6. Related party transactions (continued):

These transactions with related parties are subject to normal trade terms and are recorded at the exchange amount agreed to by the related parties.

7. Internally restricted net assets:

The internally restricted net assets include a Chapter Support Fund in the amount of \$250,000 (2017 - \$250,000) and a Wish Fulfillment Fund in the amount of \$300,000 (2017 - \$300,000) created by the Board of Directors. The funds are to be used for the financial support of the Chapters and for advancing the mission across Canada. Distributions of the funds are approved by the Board of Directors through the annual budgeting process.

During the year, \$30,000 (2017 - \$89,000) was distributed from the Wish Fulfillment Fund and recorded as chapter support which is included in programs expenditures, in the statement of operations. Subsequently, the Board of Directors approved the transfer of \$30,000 (2017 - \$89,000) from unrestricted net assets as a replenishment of the Wish Fulfillment Fund.

8. Miscellaneous income:

	2018	2017
Investment income	\$ 67,249	\$ 36,638
Unrealized gain (loss) on investments	(91,145)	51,757
Realized gain (loss) on disposal of investments	12,739	(1,851)
Foreign exchange gain (loss)	15,839	(20,959)
	<hr/> \$ 4,682	<hr/> \$ 65,585

MAKE-A-WISH FOUNDATION OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2018

9. Expenditure allocations:

The Entity classifies expenditures in the statement of operations by function. The Entity allocates certain costs by identifying the appropriate basis of allocating and applying that basis consistently each year. The Entity allocates its expenditures to the functional areas of programs, fundraising, and general and administration, based upon staff time directed to those functional areas.

2018	Functional allocations		
	Programs	Fundraising	General and administration
Wish granting and chapter support	\$ 5,297,673	\$ 12,673	\$ 3,125
Resource development	240,501	272,176	28,430
Marketing	193,037	92,510	22,819
International dues	192,091	92,057	22,707
Wages, salaries and contract services	1,098,681	526,524	129,876
Office and administration	479,318	229,705	56,660
Professional fees	67,250	32,228	7,950
Amortization of capital assets	56,167	26,917	6,640
	\$ 7,624,718	\$ 1,284,790	\$ 278,207

2017	Functional allocations		
	Programs	Fundraising	General and administration
Wish granting and chapter support	\$ 4,780,632	\$ 20,231	\$ 6,527
Resource development	114,755	182,828	17,128
Marketing	104,555	48,368	15,606
International dues	224,354	103,787	33,487
Wages, salaries and contract services	1,120,795	518,485	167,288
Office and administration	376,868	174,341	56,251
Professional fees	19,077	8,825	2,847
Amortization of capital assets	38,936	18,012	5,812
	\$ 6,779,972	\$ 1,074,877	\$ 304,946

MAKE-A-WISH FOUNDATION OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2018

10. Lease commitments:

The Entity is committed to minimum annual lease payments for its premise and certain of its operating equipment as follows:

2019	\$	185,800
2020		185,800
2021		179,200
2022		172,900
2023		172,900
Thereafter		720,500
	\$	1,617,100
