

CKNW Kids' Fund

Financial statements

December 31, 2022



Independent auditor's report

To the Members 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, 2022, 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, 2022, 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 charitable organizations, the Fund derives revenue from contributions, 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 Fund. Therefore, we were not able to determine whether any adjustments might be necessary to contributions revenue, other fundraising revenue, deficiency of revenue over expenses, and cash used in operating activities for the years ended December 31, 2022 and 2021, current and total assets as at December 31, 2022 and 2021, and net assets at both the beginning and end of the December 31, 2022 and 2021 years. Our audit opinion on the financial statements for the year ended December 31, 2021 was modified accordingly because of the possible effects of 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 *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, other than the financial statements and our auditor's report thereon, in the Community Report.

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 identified above 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 19, 2023

Ernst & Young LLP

Chartered Professional Accountants

CKNW Kids' Fund

Statement of financial position

As at December 31

| | 2022 | 2021 |
|--|------------------|------------------|
| | \$ | \$ |
| Assets | | |
| Current | | |
| Cash | 1,276,630 | 2,463,630 |
| Short-term investments <i>[note 3]</i> | 750,000 | — |
| Accounts receivable | 2,381 | 1,774 |
| Investments <i>[note 4]</i> | 2,155,840 | 2,107,163 |
| Total current assets | 4,184,851 | 4,572,567 |
| Restricted investments <i>[note 4]</i> | 1,915,736 | 2,026,325 |
| | 6,100,587 | 6,598,892 |
| Liabilities and net assets | | |
| Current | | |
| Accounts payable and accrued liabilities | 1,104,984 | 934,427 |
| Deferred contributions <i>[note 5]</i> | 303,763 | 433,435 |
| Total current liabilities | 1,408,747 | 1,367,862 |
| Net assets | | |
| Endowment funds <i>[note 6]</i> | 1,552,208 | 1,552,208 |
| Unrestricted | 3,139,632 | 3,678,822 |
| Total net assets | 4,691,840 | 5,231,030 |
| | 6,100,587 | 6,598,892 |

See accompanying notes

On behalf of the Board:

Director

Director

CKNW Kids' Fund

Statement of changes in net assets

Year ended December 31

| | 2022 | | | 2021 | |
|---|------------------|------------|------------------|------------------|-----------|
| | Endowment | Restricted | Unrestricted | Total | Total |
| | funds | | | | |
| | \$ | \$ | \$ | \$ | \$ |
| Balance, beginning of year | 1,552,208 | — | 3,678,822 | 5,231,030 | 5,337,937 |
| Deficiency of revenue over expenses for the year | — | — | (539,190) | (539,190) | (106,907) |
| Restricted investment income (loss) | — | (129,672) | — | (129,672) | 148,279 |
| Deferred contributions | — | 129,672 | — | 129,672 | (148,279) |
| Balance, end of year | 1,552,208 | — | 3,139,632 | 4,691,840 | 5,231,030 |

See accompanying notes

CKNW Kids' Fund

Statement of operations

Year ended December 31

| | 2022 | 2021 |
|--|------------------|------------------|
| | \$ | \$ |
| Revenue | | |
| Contributions | 1,369,520 | 1,292,493 |
| Bequests | 130,701 | 97,475 |
| Other fundraising revenue | 178,222 | 162,894 |
| | <u>1,678,443</u> | <u>1,552,862</u> |
| Expenses | | |
| Direct disbursements and assistance | 1,658,026 | 1,529,413 |
| Bursary endowments and special projects | 20,500 | 19,000 |
| Administration | 431,595 | 395,682 |
| Fundraising | 34,522 | 37,937 |
| Government assistance <i>[note 10]</i> | — | (81,675) |
| | <u>2,144,643</u> | <u>1,900,357</u> |
| Deficiency of revenue over expenses before the following | (466,200) | (347,495) |
| Investment income (loss) | | |
| Interest | 24,346 | 784 |
| Dividends | 56,497 | 43,805 |
| Realized and unrealized gain (loss) on investments | (132,043) | 216,640 |
| Investment management fees | (21,790) | (20,641) |
| Deficiency of revenue over expenses for the year | <u>(539,190)</u> | <u>(106,907)</u> |

See accompanying notes

CKNW Kids' Fund

Statement of cash flows

Year ended December 31

| | 2022 | 2021 |
|--|--------------------|------------------|
| | \$ | \$ |
| Operating activities | | |
| Deficiency of revenue over expenses for the year | (539,190) | (106,907) |
| Deduct items not affecting cash | | |
| Gain on unrestricted investments | (39,874) | (206,357) |
| Deferred contributions recognized as revenue | (25,577) | (20,531) |
| Changes in non-cash working capital balances | | |
| Accounts receivable | (607) | 1,033 |
| Accounts payable and accrued liabilities | 170,557 | 155,105 |
| Cash used in operating activities | (434,691) | (177,657) |
| Investing activities | | |
| Short-term investments | (750,000) | — |
| Net investment income reinvested – unrestricted | (5,232) | (29,449) |
| Net investment income reinvested – restricted | (25,577) | (20,531) |
| Transfer from restricted investments | 20,500 | 19,400 |
| Transfer from unrestricted investments | 8,000 | 6,800 |
| Cash used in investing activities | (752,309) | (23,780) |
| Net decrease in cash during the year | (1,187,000) | (201,437) |
| Cash, beginning of year | 2,463,630 | 2,665,067 |
| Cash, end of year | 1,276,630 | 2,463,630 |
| Supplementary cash flow information | | |
| (Increase) decrease in restricted investments | 117,573 | (181,060) |

See accompanying notes

CKNW Kids' Fund

Notes to financial statements

December 31, 2022

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 *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.

2. Summary of significant accounting policies

Accounting standards

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, "Accounting Standards for Not-for-Profit Organizations".

Cash

Cash consists of cash on deposit with banks and 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.

Revenue recognition

The Fund follows the deferral method of accounting for contributions. Contributions are non-reciprocal transfers to the Fund of cash or other assets or a non-reciprocal settlement or cancellation of its liabilities. 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 for which the related restriction is unfulfilled at the statement of financial position date, as well as contributions for expenses of one or more future periods, are deferred and recognized as revenue in the same period or periods in which the restriction is fulfilled or the related expenses are recognized. Restricted contributions for the purchase of property and equipment that will be amortized are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired property and equipment. Restricted contributions for the purchase of property and equipment that will not be amortized are recognized as direct increases in net assets. Endowment contributions are recognized as direct increases in net assets in the current period.

Investment income comprises interest and dividend income. Interest is recognized with the passage of time and dividends are recognized as of the ex-dividend date.

Foreign currency translation

Transactions denominated in foreign currencies are translated at the exchange rate in effect at the date of the transactions. Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at the rate of exchange at the statement of financial position date. Unrealized exchange gains and losses on foreign currency are included in the realized and unrealized gain (loss) on investments in the statement of operations.

CKNW Kids' Fund

Notes to financial statements

December 31, 2022

Government assistance

Amounts received or receivable resulting from government assistance programs are reflected as a reduction of aggregate expenses when the Fund becomes eligible to accrue them, provided there is reasonable assurance the benefits will be realized.

Financial instruments

Financial instruments are initially measured at fair value, except for related party transactions. Related party financial instruments are initially measured at cost. Transaction costs are recognized as expenses in the period incurred except that arm's length financial instruments that are not subsequently measured at fair value are adjusted by the transaction cost that are directly attributable to their origination, issuance, or assumption.

Arm's length financial instruments are subsequently measured at amortized cost, except for instruments in equity instruments that are quoted in an active market, which are subsequently measured at fair value. Related party financial instruments are subsequently measured at cost.

For financial assets measured using the amortized cost method where there is an indication of impairment such as a significant adverse change in the expected timing or amount of future cash flows from the financial assets, the carrying amounts of the financial assets are reduced. The amount of the reduction is recognized as an impairment loss in the statement of operations. When the extent of the impairment of a previously written-down asset decreases and the decrease is related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement. The amount of the reversal is recognized in the statement of operations in the period the reversal occurs.

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. Fundraising and general support expenses are not allocated.

CKNW Kids' Fund

Notes to financial statements

December 31, 2022

3. Short-term investments

Short-term investments comprise guaranteed investment certificates that mature in September 2023 and earn interest at 3.85% and 4.65% per annum.

4. Investments

| | 2022 | 2021 |
|---------------------------|------------------|------------------|
| | \$ | \$ |
| Unrestricted | | |
| Cash and cash equivalents | 5,406 | 5,430 |
| Canadian bonds | 1,326,794 | 1,131,427 |
| Canadian equities | 328,735 | 413,533 |
| Foreign equities | 494,905 | 556,773 |
| | <u>2,155,840</u> | <u>2,107,163</u> |
| Restricted | | |
| Cash and cash equivalents | 17,818 | 17,082 |
| Canadian bonds | 671,777 | 617,641 |
| Canadian equities | 498,741 | 597,778 |
| Foreign equities | 727,400 | 793,824 |
| | <u>1,915,736</u> | <u>2,026,325</u> |
| | <u>4,071,578</u> | <u>4,133,488</u> |

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

5. Deferred contributions

Deferred contributions represent unspent resources that are restricted for the Youth at Risk program.

| | 2022 | 2021 |
|-----------------------------------|----------------|----------------|
| | \$ | \$ |
| Balance, beginning of year | 433,435 | 285,156 |
| Net investment income (loss) | (129,672) | 148,279 |
| Balance, end of year | <u>303,763</u> | <u>433,435</u> |

CKNW Kids' Fund

Notes to financial statements

December 31, 2022

6. Endowment funds

| | 2022 | 2021 |
|----------------------|------------------|------------------|
| | \$ | \$ |
| Josias Vandriel Fund | 1,069,829 | 1,069,829 |
| Griffiths Fund | 482,379 | 482,379 |
| | <u>1,552,208</u> | <u>1,552,208</u> |

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 initially recognized in deferred contributions and subsequently recognized as revenue in the same period in which the related expenses are incurred for the Youth at Risk program.

The Griffiths Fund was established by bequest in 2019 subject to a restriction that the principal amount be maintained in perpetuity. Investment income earned on the principal amount is unrestricted for use.

7. Related party transactions

Corus Entertainment Inc. is considered a related party as it established the Fund. Corus Entertainment Inc. donates 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.

8. Financial instruments and risk management

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 Fund's cash and short-term investments earn 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, short-term investments, and certain investments. The Fund mitigates its credit risk with respect to cash and short-term investments by dealing with Canadian financial institutions with no publicly known liquidity problems and in terms of certain investments by investing in investment grade securities recommended by a professional investment advisor.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund is exposed to liquidity risk through its accounts payable and accrued liabilities.

Notes to financial statements

December 31, 2022

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 [2022 – US\$578,091; 2021 – US\$589,527] and thus the Fund is exposed to the risk of fluctuations in income 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 [other than those arising from interest rate risk or currency risk], 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 manages price risk by allocating its investments across different types of investments and underlying industries.

9. 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 \$102,479 [2021 – \$101,642].

10. Government assistance

The Fund applied for the Canada Emergency Wage Subsidy ["CEWS"] in 2021, which was implemented by the Canadian government to assist organizations that had been negatively impacted by COVID-19. Included in government assistance is nil [2021 – \$81,675] from CEWS.