# *THE KIWANIS FOUNDATION OF CANADA INCORPORATED*

## *FINANCIAL STATEMENTS*

***SEPTEMBER-30-12***

# THE KIWANIS FOUNDATION OF CANADA INCORPORATED

***September-30-12***

***Contents***

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***Independent Auditors' 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-30-12 and the statements of operations, changes in net assets and cash flows for the year then ended.*

***Management's Responsibility for the Financial Statements***

*Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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 risk 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 purposes 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.*



***Opinion***

*In my opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at September-30-12 and the results of its operations and changes in it's net assets for the year then ended in accordance with Canadian generally accepted accounting principles.*

***Emphasis of Matter***

*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.*

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*Brantford, Ontario*
*DATE*

*Chartered Accountant*
*Licensed Public Accountant*

# THE KIWANIS FOUNDATION OF CANADA INCORPORATED

***STATEMENT OF FINANCIAL POSITION***

***As at September-30-12***

| | 2012 | 2011 |
|---|---|---|
| ***Assets*** | | |
| ***Current*** | | |
| *Cash* | $ 31,457 | $ 472,233 |
| *Segregated cash, ELIMINATE Program* | 66,812 | - |
| *G.S. T. recoverable* | 6,037 | 4,952 |
| *Inventory* | 4,321 | 5,027 |
| | 108,627 | 482,212 |
| ***Long Term*** | | |
| *Long term investments - see Note 3* | 2,687,079 | 2,647,113 |
| | $ 2,795,706 | $ 3,129,325 |
| ***Liabilities*** | | |
| ***Current*** | | |
| *Accounts payable and accrued liabilities* | $ 3,498 | $ 7,778 |
| ***Net Assets*** | **2,792,208** | **3,121,547** |
| ***NET ASSETS represented by:*** | | |
| *Net assets restricted for Scholarships (note 4)* | 620,000 | 620,000 |
| *Net assets restricted for Bagnell Award* | 5,920 | 6,054 |
| *Net assets restricted for Natural Disaster Relief* | 100,000 | 100,000 |
| *Net assets restricted for Youth* | 37,858 | 56,679 |
| *Net assets restricted for Summerland* | 33,122 | 35,444 |
| *Unrestricted net assets - see Note 7* | 1,995,305 | 2,303,370 |
| ***NET FUNDS ASSETS*** | **2,792,205** | **3,121,547** |

***Approved on Behalf of the Board***

________________________________________ *Director*

________________________________________ *Director*



See accompanying notes
D.M. Austin, Chartered Accountant

# THE KIWANIS FOUNDATION OF CANADA INCORPORATED

***Statement of OPERATIONS***

***For the Year Ended September-30-12***

| | 2012 | 2011 |
|---|---|---|
| ***RECEIPTS*** | | |
| ***Donations*** | | |
| *General club donations- see Note 2* | $ 93,135 | $ 1,002,904 |
| *Mel Osborne Fellowship* | 22,500 | 29,275 |
| *Memorial* | 1,275 | 525 |
| *Thetford Mines Project* | 22,220 | - |
| *Matching scholarships* | 45,475 | 41,500 |
| *KCCBCY (PNW Project)* | 102,195 | 33,230 |
| *ELIMINATE program - see Note 1* | 346,576 | 66,812 |
| *Miscellaneous projects* | 450 | 8,014 |
| *Natural disaster fund* | 2,050 | 1,500 |
| *Youth projects* | - | 2,520 |
| *Osborne scholarship contributions* | 6,455 | 6,660 |
| *HIV-AIDS/CAP Project* | 52,227 | 309,244 |
| | 694,558 | 1,502,184 |
| ***Other Income*** | | |
| *Interest and dividends earned* | 73,095 | 73,716 |
| *Other investment income* | 17,967 | 12,255 |
| | 91,062 | 85,971 |
| ***Total Receipts*** | **785,620** | **1,588,155** |
| ***Expenses*** | | |
| *Administration services* | 24,901 | 14,948 |
| *Printing/newsletters/brochures* | 7,337 | 7,404 |
| *Insurance* | 864 | 864 |
| *Postage and shipping* | 2,137 | 2,534 |
| *Professional fees* | 3,577 | 2,968 |
| *Marketing and promotions* | 1,270 | 17,587 |
| *Stationery and supplies* | 1,776 | 1,603 |
| *Telephone* | 555 | 657 |
| *Travel and board expenses* | 6,746 | 7,523 |
| | 49,163 | 56,088 |
| **Projects** | | |
| *Scholarships* | 78,860 | 59,075 |
| *HIV/AIDS* | 317,007 | 412,519 |
| *IDD - Unicef* | 350,000 | - |
| *Eliminate - Match KFC* | 103,548 | - |
| *Scholarships - Osborne* | 133,992 | - |
| *Thetford Mines* | 20,713 | - |
| *Scholarships - Osbornes* | 12,000 | 11,600 |
| *Scholarship -Summerland* | 3,000 | 1,000 |
| *Key club matching scholarships* | 2,000 | 2,000 |
| *Youth miscellaneous* | 22,550 | 10,995 |
| *Miscellaneous projects* | 15,886 | 16,288 |
| *Boys & Girls Club grant* | 3,000 | 4,000 |
| *New club grant* | 3,242 | 3,250 |
| | 1,065,798 | 520,727 |
| ***Total Expenses*** | **1,114,961** | **576,815** |
| ***Excess of Revenue over Expenses, before investment gain/ (loss )*** | (329,341) | 1,011,340 |
| ***Gains (Loss) on Investments*** | - | 22,968 |
| ***Excess of Revenue over Expenses for the year*** | **$ (329,341)** | **$ 1,034,308** |



See accompanying notes
D.M. Austin, Chartered Accountant

# THE KIWANIS FOUNDATION OF CANADA INCORPORATED

***Statement of CHANGES IN NET ASSETS***

***September-30-12***

| *NET ASSETS* | *Natural Disaster Relief* | *Bagnell Award* | *Scholarship Fund* | *Youth Fund* | *Summerland* | *Unrestricted See Note 7* | *Total 2012* |
|---|---|---|---|---|---|---|---|
| *Balance, beginning of year* | $ 100,000 | $ 6,054 | $ 620,000 | $ 56,679 | $ 35,444 | $ 2,303,370 | $ 3,121,547 |
| *Excess of Revenue over Expenditures* | 7,349 | (134) | (929) | (18,821) | (2,322) | (314,485) | (329,342) |
| *Internally restricted transfers* | (7,349) | - | 929 | - | - | 6,420 | - |
| ***Balance, end of year*** | **100,000** | **5,920** | **620,000** | **37,858** | **33,122** | **1,995,305** | **2,792,205** |

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See accompanying notes
D.M. Austin, Chartered Accountant

# THE KIWANIS FOUNDATION OF CANADA INCORPORATED

***Statement of Cash Flows***

***September-30-12***

| | 2012 | 2011 |
|---|---|---|
| ***Cash Provided by Operating Activities*** | | |
| *Excess of Revenue over Expenses for the year* | $ (329,342) | $ 1,034,309 |
| | **(329,342)** | **1,034,309** |
| ***Changes in non-cash working capital:*** | | |
| *Account receivable* | (1,084) | (1,949) |
| *Inventories* | 707 | 4,171 |
| *Accounts Payable* | (4,280) | (6,205) |
| | (4,657) | (3,983) |
| ***Net Cash Provided by Operating Activities*** | **(333,999)** | **1,030,326** |
| *Decrease in investments* | (39,965) | (1,059,005) |
| ***Cash Flows used in Investing Activities*** | **(39,965)** | **(1,059,005)** |
| ***Net Increase in Cash and Cash Equivalents*** | **(373,964)** | **(28,679)** |
| ***Net Cash and Cash Equivalents, beginning of year*** | 472,233 | 500,912 |
| ***Net Cash and Cash Equivalents, end of year*** | $ 98,269 | $ 472,233 |

Cash includes cash and segregated cash.

# THE KIWANIS FOUNDATION OF CANADA INCORPORATED

**Notes to the Financial Statements**

**September-30-12**

## *1. 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 has committed $250,000 to the Eliminate Program on a matching basis with Kiwanis Clubs. The Kiwanis Foundation of Canada will donate $1 (one) for every $3 (three) donated by Kiwanis Clubs or their members.*



## *2. Summary of Significant Accounting Policies*

*(a) Investments*

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

*(b) 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.*

*(c) Measurement Uncertainty*

*Financial statements are based on representation by management that may require estimates and assumptions to be made in anticipation of future transactions and events. Actual results may differ from management's best estimates as additional information becomes available. Any differences are expected to be not material.*

*(d) 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 because of the difficulty of determining their fair value, donated services are not recognized in these statements.*

*(e) Income tax*

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

# THE KIWANIS FOUNDATION OF CANADA INCORPORATED

**Notes to the Financial Statements**

**September-30-12**

### *3. LONG-TERM INVESTMENTS*

| | ***2012*** | ***2011*** |
|---|---|---|
| *Long-term investments (See note 5)* | *$ 2,687,079* | *$ 2,647,113* |

*Market value as at September 30, 2011 was $2,838,201. (2011 - $ 2,681,019)*

### *4.RESTRICTION ON NET ASSETS*

*In 2009, the Board of Directors internally restricted $929, (2011 $90,356 of unrestricted net assets to be held for scholarship and other special purposes. The total amount restricted is $620,000, (2011 - $ 620,000 ). These internally restricted amounts are not available for other purposes without approval of the Board of Directors, subject to the conditions of the individual fund.*

### *5. FINANCIAL INSTRUMENTS*

*The organization utilizes various financial instruments which consist of cash, accounts receivable, investments, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant interest, currency or credit risks arising form these financial instruments and the carrying amounts approximate fair values due to their short maturity.*

*The Foundation classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Foundation's accounting policy for each category is as follows:*

***Held-for-trading***

*Financial instruments classified as assets or liabilities held-for-trading are reported at fair value at each balance sheet date, and any change in fair value is recognized in excess of revenue over expenses in the period during which the change occurs. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.*

*Bank has been classified as held-for-trading.*

***Loans, Receivables and other financial liabilities***

*Financial instruments classified as loans, receivables and other financial liabilities are carried at amortized cost using the effective interest method. Interest income or expense is included in excess of revenues over expenses over the expected life of the instrument. Transaction costs are expensed when incurred.*

*Accounts receivable, investments and accounts payable and accrued liabilities have been classified as loans and receivables and other financial liabilities.*

*The Organization had no comprehensive income or loss transactions during the periods that have been presented. Accordingly a statement of comprehensive income has not been presented.*

# THE KIWANIS FOUNDATION OF CANADA INCORPORATED

**Notes to the Financial Statements**

**September-30-12**

### *6. RISK MANAGEMENT*

*The Foundation may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Foundation's risk management processes is to minimize any adverse effects on financial performance. The principal risks to which the Foundation is exposed to are described below.*

***General Objective, Policies and Processes:***

*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.*

***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 it's market risk as not material.*

***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*

***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.*

# THE KIWANIS FOUNDATION OF CANADA INCORPORATED

**Notes to the Financial Statements**

**September-30-12**

### *7. 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.*

### *8. ADOPTION OF ACCOUNTING STANDARDS FOR NOT FOR PROFIT ORGANIZATIONS*

*Effective January 1, 2012 the Organization will adopt the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting, electing to adopt the new accounting framework: Canadian accounting standards for Not for Profit Organizations (NFPO).*

*The adoption of NFPO is expected to have no impact on the reported assets, liabilities and equity of the Organization.*