Starlight Children's Foundation Canada
Fondation pour l'enfance Starlight Canada

Financial Statements
December 31, 2018

Starlight Children's Foundation Canada
Fondation pour l'enfance Starlight Canada

Financial Statements
December 31, 2018

Table of Contents

RICHTER

Independent Auditor's Report

To the Directors of
Starlight Children's Foundation Canada
Fondation pour l'enfance Starlight Canada

Qualified Opinion

We have audited the financial statements of Starlight Children's Foundation Canada / Fondation pour l'enfance Starlight Canada (the Foundation), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets and 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 Foundation 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 not-for-profit organizations, the Foundation derives revenues from donations, 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 Foundation and we were not able to determine whether adjustments might be necessary to donations and fundraising events revenues, excess of revenues over expenses, cash flows from operations for the year ended December 31, 2018, current assets and net assets as at December 31, 2018. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified similarly 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 Foundation 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 audit 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

MONTRÉAL
1981 McGill College
Montréal QC H3A 0G6
514.934.3400

TORONTO
181 Bay St., #3320
Bay Wellington Tower
Toronto ON M5J 2T3
416.488.2345

CHICAGO
200 South Wacker Dr., #3100
Chicago, IL 60606
312.828.0800

RICHTER.CA

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 Foundation'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 Foundation'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 Foundation 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.

Richter LLP[1]

Montréal, Quebec
May 30, 2019

[1]CPA auditor, CA, public accountancy permit No. A112505

Starlight Children's Foundation Canada
Fondation pour l'enfance Starlight Canada

Statement of Financial Position
As at December 31, 2018

	2018 $	2017 $
Assets		
Current		
Cash	**792,755**	792,283
Short-term investments (note 3)	**462,749**	116,599
Pledges and sundry receivables (note 4)	**434,289**	411,672
Contributed materials to be distributed	**8,820**	226,316
Prepaid expenses	**361,622**	201,637
	2,060,235	1,748,507
Long-term investments (note 3)	**-**	86,146
Premises and equipment (note 5)	**162,052**	262,359
Website, less accumulated amortization of approximately $20,000 (2017 - $20,000)	**198,465**	198,465
	360,517	546,970
	2,420,752	2,295,477
Liabilities		
Current		
Accounts payable and accrued liabilities	**320,441**	232,217
Deferred revenue and contributions (note 6)	**327,340**	395,704
Current portion of long-term debt (note 7)	**-**	17,262
	647,781	645,183
Long-term debt (note 7)	**-**	73,313
Deferred contributions (note 8)	**119,665**	153,060
	119,665	226,373
	767,446	871,556
Commitments (note 9)		
Net assets		
Unrestricted	**1,653,306**	1,423,921
	2,420,752	2,295,477

See accompanying notes

Approved on behalf of the board

_______________, Director
Patrick Lefrançois, President

_______________, Director
Edward Prorok, Treasurer

Starlight Children's Foundation Canada
Fondation pour l'enfance Starlight Canada

Statement of Changes in Net Assets
For the Year Ended December 31, 2018

	2018 $	2017 $
Balance - beginning of year	**1,423,921**	1,199,059
Excess of revenues over expenses	**229,385**	224,862
Balance - end of year	**1,653,306**	1,423,921

See accompanying notes

Starlight Children's Foundation Canada
Fondation pour l'enfance Starlight Canada

Statement of Operations
For the Year Ended December 31, 2018

	2018 $	2017 $
Revenues		
Fundraising events	**2,850,558**	2,790,538
Donations	**2,595,650**	2,687,008
In-kind donations (including amortization of deferred contributions of approximately $33,000 (2017 - $34,000))	**1,227,449**	1,067,008
Interest	**14,009**	3,831
	6,687,666	6,548,385
Expenses		
Program (including amortization of premises and equipment and website of approximately $42,000 and gain on disposal of premises and equipment of approximately $8,000 (2017 - $35,000 and $Nil))	**4,285,230**	4,344,326
Fundraising	**1,881,146**	1,637,109
General and administrative (including amortization of premises and equipment of approximately $8,000 (2017 - $25,000))	**291,905**	342,088
	6,458,281	6,323,523
Excess of revenues over expenses	**229,385**	224,862

See accompanying notes

Starlight Children's Foundation Canada
Fondation pour l'enfance Starlight Canada

Statement of Cash Flows
For the Year Ended December 31, 2018

	2018 $	2017 $
Operating activities		
Excess of revenues over expenses	**229,385**	224,862
Amortization of premises and equipment	**50,603**	59,238
Amortization of deferred contributions	**(33,395)**	(33,493)
Amortization of website	**-**	808
Loss (gain) on disposal of premises and equipment	**(8,263)**	503
Change in fair value of investments	**(2,004)**	167
	236,326	252,085
Net change in non-cash working capital items	**54,754**	(105,365)
	291,080	146,720
Investing activities		
Investment acquisitions	**(258,000)**	(101,415)
Acquisition of premises and equipment	**(140,790)**	(2,694)
Additions to website	**-**	(14,564)
Proceeds from disposal of premises and equipment	**198,757**	13,545
	(200,033)	(105,128)
Financing activity		
Repayment of long-term debt	**(90,575)**	(16,475)
Increase in cash	**472**	25,117
Cash - beginning of year	**792,283**	767,166
Cash - end of year	**792,755**	792,283

See accompanying notes

1. Statutes of incorporation and purpose of the Foundation

The Foundation is incorporated under the Canada Not-for-Profit Corporations Act and is a registered charity under the Income Tax Act. The Foundation enhances the lives of critically, chronically and seriously ill children and their families through wish granting and other entertainment related activities.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

The Foundation also applies the Canadian standards for private enterprises to the extent that these standards address topics not addressed in Canadian accounting standards for not-for-profit organizations.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 to be received can be reasonably estimated and collection is reasonably assured. Revenues from events are recognized in the period when the event occurred.

Donations mostly originate from individuals and corporations.

Contributed materials

The Foundation obtains equipment, airline tickets, donated toys and other gifts free of charge from various contributors. These materials would normally have to be purchased from regular suppliers. They are recorded at the estimated fair value at the time of the donation.

2. Significant accounting policies (continued)

Contributed materials (continued)

The fair value of these materials for the period is estimated at $1,236,000 (2017 - $1,293,000). They have been recorded as follows:

$9,000 (2017 - $226,000) have been recorded both as contributed materials to be distributed and deferred contributions in the statement of financial position. They will be recorded both as revenue and expenses in the statement of revenues and expenses when the Foundation distributes the related assets; and

$1,227,000 (2017 - $1,067,000) have been recorded both as revenues and expenses in the statement of revenues and expenses.

Contributed materials to be distributed at year end include donated body care products collected for distribution through the Foundation's programs. The Foundation reviews the carrying value of its contributed materials to be distributed for possible impairment whenever events or circumstances indicate that the fair value may have declined since it was originally acquired. An impairment loss is recognized when the fair value (current replacement cost) is lower than the carrying amount, in which case a write-down is recorded to reduce the related asset to its estimated current replacement cost. No impairment losses were recognized during the period ended December 31, 2018.

Allocation of expenses

Certain general operating expenses of the Foundation are allocated between three functions: program, fundraising and administration. The allocation is considered appropriate to each type of expense and is used consistently from year to year. These general operating expenses are allocated on the following basis:

i) Wages and benefits are allocated based on the percentage of time that each employee is directly involved in a function; and

ii) Occupancy costs, insurance and office expenses are allocated based on the proportion of square footage.

Premises and equipment

Premises and equipment are accounted for at cost. Amortization is calculated using the following methods, rates and period:

	Methods	Rates and period
Computer	Declining balance method	30%
Automobiles	Declining balance method	20%
Boats	Straight-line method	9 years

2. Significant accounting policies (continued)

Website

Website is accounted for at cost. Amortization is calculated using the straight-line method over two years. As at December 31, 2018, an amount of $198,000 (2017 - $198,000) is not depreciated as it was still under development at year-end.

Long-lived assets

When the long-lived assets, which comprise premises and equipment and website, no longer have any long-term service potential to the Foundation, the excess of their net carrying amount over any residual value is recognized as an expense in the statement of revenues and expenses. A write-down should not be subsequently reversed.

Financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions. The Foundation subsequently measures its financial assets and financial liabilities at amortized cost, except for government investment certificates, which are measured at fair value with changes in fair value recognized in excess of revenues over expenses.

Financial assets subsequently measured at amortized cost are tested for impairment when there are indicators of possible impairment. Any impairment loss is recognized in excess of revenues over expenses. The previously recognized impairment loss may subsequently be reversed to a maximum of the amortized cost that would have been reported at the date of the reversal had the impairment not been recognized previously.

The carrying amount of the financial instruments that are subsequently measured at amortized cost is adjusted by the transaction costs, which are recognized in excess of revenues over expenses using the straight-line method. Transaction costs related to financial instruments that are subsequently measured at fair value are recognized in excess of revenues over expenses in the period incurred.

3. Investments

The investments consist of guaranteed investment certificates of approximately $204,000 (2017 - $203,000) and term deposits of approximately $259,000 (2017 - $Nil), that bear interest ranging from 0.9% to 2.25% (2017 - from 0.9% to 1.2%) per annum and mature from January 19, 2019 to August 14, 2019 (2017 - February 5, 2018 to January 19, 2019).

4. Pledges and sundry receivables

Included in pledges and sundry receivables is approximately $279,000 (2017 - $281,000) of pledges receivable.

5. Premises and equipment

	Cost $	Accumulated amortization $	**2018 Net book value $**	2017 Net book value $
Computer	54,921	35,741	**19,180**	17,518
Automobiles	34,337	9,707	**24,630**	28,712
Boats	297,000	178,758	**118,242**	216,129
	386,258	224,206	**162,052**	262,359

6. Deferred revenue and contributions

Deferred revenue represents amounts received that relate to fundraising activities that will occur in the following year and deferred contributions relate to contributed materials which will be distributed in the subsequent periods. Changes in deferred revenue and contributions are approximately as follows:

	2018 $	2017 $
Balance - beginning of year	**395,000**	162,000
Recognized as revenue during the year	**(175,000)**	(104,000)
Received in the year, relating to subsequent years	**327,000**	175,000
Contributed materials to be distributed	**-**	220,000
Contributed materials distributed	**(220,000)**	(58,000)
Balance - end of year	**327,000**	395,000

7. Long-term debt

	2018 $	2017 $
Loans repaid during the year	**-**	90,575
Current portion of long-term debt	**-**	17,262
	-	73,313

Starlight Children's Foundation Canada
Fondation pour l'enfance Starlight Canada

Notes to Financial Statements
December 31, 2018

8. Deferred contributions

Deferred contributions relate to capital contributions for premises and equipment of the same amount. Changes in deferred contributions are approximately as follows:

	2018 **$**	2017 $
Balance - beginning of year	**153,000**	186,000
Recognized as revenue in the year	**(33,000)**	(33,000)
Balance - end of year	**120,000**	153,000

9. Commitments

Leases

The commitments of the Foundation under premises (exclusive of other occupancy charges) and other contractual obligations, aggregate to $160,000. The minimum annual payments are approximately as follows:

	$
2019	**57,000**
2020	**59,000**
2021	**16,000**
2022	**16,000**
2023	**12,000**

Security

The Foundation has provided a security to the bank regarding it's credit card facility of $200,000. A movable hypothec in the amount of $200,000 was provided by the Foundation.

10. Allocation of expenses

The general operating expenses are allocated approximately as follows:

	Wages and benefits		Insurance		Occupancy and office	
	2018	2017	**2018**	2017	**2018**	2017
	$	$	**$**	$	**$**	$
Program	**1,162,000**	1,302,000	**25,000**	24,000	**508,000**	480,000
Fundraising	**403,000**	391,000	**4,000**	4,000	**88,000**	82,000
Administration	**181,000**	202,000	**1,000**	2,000	**53,000**	47,000

11. Related party transactions

	2018	2017
	$	$
Contributed materials purchased		
Purchases of materials from Starlight Children's Foundation Global Office	**92,000**	80,000

These transactions were concluded in the normal course of business and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

12. Financial instruments

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Foundation's risk exposure at the year-end date.

Interest rate risk

The Foundation is exposed to interest rate risk on its fixed-rate instruments which subject the Foundation to a fair value risk. The Foundation is exposed to this type of risk with respect to its investments and long-term debt.

Credit risk

The Foundation is exposed to credit risk with regard to uncertainty as to timing and collectibility of pledges and sundry receivables. The uncertainty associated with pledges due more than a year from the year end date precludes their recognition until collection. Historically, the Foundation collects virtually all of its pledges receivable.

12. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk the Foundation will have difficulty to raise the funds required to have sufficient liquid financial resources to fulfill its mission, to meet its obligations associated with financial liabilities and continue operating despite adverse events with financial consequences. This need for sufficient liquidity is considered in the preparation of the annual budget, in the monitoring of cash flows and in the comparison of actual operating results with budget. As at December 31, 2018, the Foundation has met its objective of having significant liquidity to meet its current obligations.

13. Subsequent event

On April 30, 2019, the Foundation exercised its option to purchase the building rented as at December 31, 2018 for $2,446,170. The purchase will be financed by a hypothec in the amount of $2,455,000. The new loan will bear interest at 3.99% and be repayable in 240 monthly principal instalments of $10,229. The new loan is secured by a first ranking hypothec on the property purchased.

Accordingly, the minimum annual payments are approximately as follows :

	$
2019	**61,000**
2020	**123,000**
2021	**123,000**
2022	**123,000**
2023	**123,000**
Others	**1,902,000**