

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

**Financial Statements
December 31, 2016**

Starlight Children's Foundation Canada

Fondation pour l'enfance Starlight Canada

Financial Statements
December 31, 2016

Table of Contents

Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Revenues and Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 14

Independent Auditor's Report

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

We have audited the accompanying financial statements of Starlight Children's Foundation Canada / Fondation pour l'enfance Starlight Canada, which comprise the statement of financial position as at December 31, 2016, and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 risks 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 purpose of expressing an opinion on 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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 major events, donations and fundraising revenues, excess of revenues over expenses, cash flows from operations for the year ended December 31, 2016, current assets and net assets as at December 31, 2016.

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Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Starlight Children's Foundation Canada / Fondation pour l'enfance Starlight Canada as at December 31, 2016, 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.

Richter LLP

Montréal, Quebec
June 16, 2017

¹CPA 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, 2016

	2016	2015
	\$	\$
Assets		
Current		
Cash	767,166	912,216
Short-term investments (note 3)	101,497	-
Pledges and sundry receivables (note 4)	586,253	350,100
Contributed materials to be distributed	60,160	317,118
Prepaid expenses	71,489	105,599
	1,586,565	1,685,033
Premises and equipment (note 5)	332,951	384,960
Website , less accumulated amortization of approximately \$19,000 (2015 - \$18,000)	184,709	112,038
Investment (note 3)	-	84,222
	517,660	581,220
	2,104,225	2,266,253
Liabilities		
Current		
Accounts payable and accrued liabilities	449,589	342,121
Deferred revenue and contributions (note 6)	161,974	399,564
Current portion of long-term debt (note 7)	16,471	22,982
	628,034	764,667
Long-term debt (note 7)	90,579	98,415
Deferred contributions (note 8)	186,553	220,170
	277,132	318,585
	905,166	1,083,252
Commitments (note 9)		
Net assets		
Unrestricted	1,199,059	1,183,001
	2,104,225	2,266,253

See accompanying notes

Approved on behalf of the board

_____, Director

_____, Director

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

Statement of Changes in Net Assets
For the Year Ended December 31, 2016

	2016 \$	2015 \$
Balance - beginning of year	1,183,001	1,561,097
Excess (deficiency) of revenues over expenses	16,058	(378,096)
Balance - end of year	1,199,059	1,183,001

See accompanying notes

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

Statement of Revenues and Expenses
For the Year Ended December 31, 2016

	2016 \$	2015 \$
Revenues		
Fundraising events	3,335,733	3,246,672
Donations	2,729,697	2,207,985
In-kind donations (including amortization of deferred contributions of approximately \$34,000; 2015 - \$34,000)	1,294,351	2,585,151
Interest	2,298	2,787
	7,362,079	8,042,595
Expenses		
Program (including amortization of premises and equipment and website of approximately \$48,000; 2015 - \$51,000)	4,798,657	6,038,900
Fundraising	2,227,213	2,033,595
General and administrative (including amortization of premises and equipment of approximately \$28,000; 2015 - \$31,000)	320,151	348,196
	7,346,021	8,420,691
Excess (deficiency) of revenues over expenses	16,058	(378,096)

See accompanying notes

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

Statement of Cash Flows
For the Year Ended December 31, 2016

	2016 \$	2015 \$
Operating activities		
Excess (deficiency) of revenues over expenses	16,058	(378,096)
Amortization of deferred contributions	(33,617)	(33,973)
Amortization of premises and equipment	75,620	80,831
Amortization of website	714	1,573
Gain on disposal of asset	1,421	-
Change in fair value of investment	(1,275)	(1,112)
	58,921	(330,777)
Net change in non-cash working capital items	(75,207)	16,529
	(16,286)	(314,248)
Investing activities		
Investment acquisition	(16,000)	-
Acquisition of premises and equipment	(89,434)	(13,764)
Acquisition of website	(73,385)	(72,183)
	(178,819)	(85,947)
Financing activities		
Increase in long-term debt	71,803	-
Repayment of long-term debt	(21,748)	(27,701)
	50,055	(27,701)
Decrease in cash	(145,050)	(427,896)
Cash - beginning of year	912,216	1,340,112
Cash - end of year	767,166	912,216

See accompanying notes

Starlight Children's Foundation Canada

Fondation pour l'enfance Starlight Canada

Notes to Financial Statements

December 31, 2016

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. Summary of significant accounting policies

These financial statements have been prepared in accordance with 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.

The fair value of these materials for the period is estimated at \$1,352,000 (2015 - \$3,123,000). They have been recorded as follows:

\$58,000 (2015 - \$317,000) 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;

Starlight Children's Foundation Canada

Fondation pour l'enfance Starlight Canada

Notes to Financial Statements

December 31, 2016

2. Summary of significant accounting policies (continued)

Contributed materials (continued)

\$1,294,000 (2015 - \$2,806,000) 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, 2016.

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
Furniture and equipment	Declining balance method	30%
Computer	Declining balance method	30%
Automobiles	Declining balance method	20%
Boats	Straight-line method	9 years

Website

Website is accounted for at cost. Amortization is calculated using the straight-line method over two years. As at December 31, 2016, an amount of \$184,000 (2015 - \$110,000) is not depreciated as it was still under development at year-end.

Starlight Children's Foundation Canada

Fondation pour l'enfance Starlight Canada

Notes to Financial Statements

December 31, 2016

2. Summary of significant accounting policies (continued)

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 (deficiency) 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 (deficiency) 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 (deficiency) 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 net earnings in the period incurred.

3. Investment

The investment consists of guaranteed investment certificates of approximately \$101,000 (2015 - \$84,000) that bear interest ranging from 0.95% to 1.35% (2015 - 1.35%) per annum and mature no later than February 3, 2017 (2015 - January 19, 2017).

4. Pledges and sundry receivables

Included in pledges and sundry receivables is approximately \$417,000 (2015 - \$156,000) of pledges receivable.

Starlight Children's Foundation Canada

Fondation pour l'enfance Starlight Canada

Notes to Financial Statements

December 31, 2016

5. Premises and equipment

	Cost \$	Accumulated amortization \$	2016 Net carrying amount \$	2015 Net carrying amount \$
Furniture and equipment	11,213	9,558	1,655	2,891
Computer	285,885	256,189	29,696	21,803
Automobiles	72,319	40,697	31,622	125,729
Boats	391,802	121,824	269,978	234,537
	761,219	428,268	332,951	384,960

During the year, an automobile with a carrying amount and related long-term debt of approximately \$66,000 and \$64,000 respectively, was returned to the car dealership and the debt was consequently extinguished (note 7).

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 period. Changes in deferred revenue and contributions are approximately as follows:

	2016 \$	2015 \$
Balance - beginning of year	400,000	1,816,000
Recognized as revenue during the year	(83,000)	(32,000)
Received in the year, relating to subsequent year	104,000	83,000
Contributed materials to be distributed	58,000	317,000
Contributed materials distributed	(317,000)	(1,784,000)
Balance - end of year	162,000	400,000

Starlight Children's Foundation Canada

Fondation pour l'enfance Starlight Canada

Notes to Financial Statements

December 31, 2016

7. Long-term debt

	2016	2015
	\$	\$
Promotional truck loan, bearing interest at 4.29% per annum, repayable in 72 monthly instalments of \$1,021 including interest, with a final payment in March 2020, secured by an automobile having an original cost of approximately \$62,000 and a carrying amount of approximately \$30,000 as at December 31, 2016 (2015 - \$42,000). The Foundation uses the promotional truck for transport of materials for its programming activities.	36,149	47,535
Boat loan, bearing interest at 5.48% per annum, repayable in 120 monthly instalments of \$779 including interest, with a final payment in October 2026, secured by the boat having an original cost of approximately \$74,000 and a carrying amount of approximately \$71,000 as at December 31, 2016 (2015 - \$Nil). As part of one of its programs, the Foundation offers adapted boating to its families. This loan is used to finance one of the boats that the Foundation uses to carry out this activity.	70,901	-
Automobile loan, repaid and debt extinguished (note 5)	-	73,862
	107,050	121,397
Current portion of long-term debt	16,471	22,982
	90,579	98,415

Principal payments due in each of the next five years are approximately as follows:

	\$
2017	17,000
2018	17,000
2019	18,000
2020	10,000
2021	8,000
Others	40,000

Starlight Children's Foundation Canada

Fondation pour l'enfance Starlight Canada

Notes to Financial Statements

December 31, 2016

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:

	2016 \$	2015 \$
Balance - beginning of year	220,000	254,000
Recognized as revenue in the year	(34,000)	(34,000)
Balance - end of year	186,000	220,000

9. Commitments

The commitments of the Foundation under premises (exclusive of other occupancy charges) and other contractual program obligations, aggregate to \$1,507,000. The minimum annual payments are approximately as follows:

	\$
2017	208,000
2018	172,000
2019	161,000
2020	151,000
2021	140,000
Others	675,000

10. Allocation of expenses

The general operating expenses are allocated approximately as follows:

	Wages and benefits		Insurance		Occupancy and office	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
Program	1,334,000	1,133,000	22,000	19,000	435,000	353,000
Fundraising	418,000	360,000	3,000	4,000	80,000	73,000
Administration	195,000	181,000	2,000	2,000	45,000	42,000

Starlight Children's Foundation Canada

Fondation pour l'enfance Starlight Canada

Notes to Financial Statements

December 31, 2016

11. Related party transactions

	2016 \$	2015 \$
Contributed materials purchased		
Purchases of materials from Starlight Children's Foundation Global Office	60,000	34,000

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 investment 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.

The Foundation is also exposed to credit risk in the event of non-performance by counterparties associated with its investments. The Foundation reduces this risk to a minimum by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

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, 2016, the Foundation has met its objective of having significant liquidity to meet its current obligations.

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

**Notes to Financial Statements
December 31, 2016**

13. Comparative figures

Certain reclassifications of December 31, 2015 amounts have been made to facilitate comparison with the current period.