

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

**Financial Statements  
December 31, 2020**

# **Starlight Children's Foundation Canada**

## **Fondation pour l'enfance Starlight Canada**

**Financial Statements**  
**December 31, 2020**

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## 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, 2020, 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, 2020, 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, 2020, current assets and net assets as at December 31, 2020. Our audit opinion on the financial statements for the year ended December 31, 2019 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.

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### *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.

A handwritten signature in black ink that reads "Richter LLP". The "R" is stylized with a flourish, and "LLP" is written in a smaller, more standard font to the right.

Montréal, Quebec  
June 16, 2021

<sup>1</sup>CPA auditor, CA, public accountancy permit No. A112505

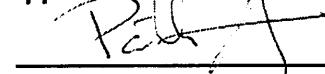
# Starlight Children's Foundation Canada Fondation pour l'enfance Starlight Canada

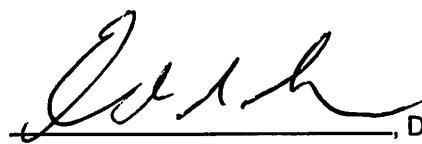
## Statement of Financial Position As at December 31, 2020

	2020 \$	2019 \$
<b>Assets</b>		
<b>Current</b>		
Cash	2,017,057	944,620
Short-term investments (note 4)	194,544	120,195
Pledges and sundry receivable (note 5)	329,838	593,500
Contributed materials to be distributed	14,733	13,453
Prepaid expenses	200,553	367,895
	<b>2,756,725</b>	<b>2,039,663</b>
<b>Long-term investments (note 4)</b>	-	88,673
<b>Property and equipment (note 6)</b>	<b>3,074,786</b>	2,849,811
<b>Website, less accumulated amortization of approximately \$124,000 (2019 - \$123,000)</b>	-	111,628
	<b>3,074,786</b>	<b>3,050,112</b>
	<b>5,831,511</b>	<b>5,089,775</b>

See accompanying notes

Approved on behalf of the board

 Paul, Director

 Edith, Director

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

**Statement of Financial Position**  
**As at December 31, 2020**

	<b>2020</b> \$	<b>2019</b> \$
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	359,204	521,555
Deferred revenue and contributions (note 7)	340,213	443,282
Current portion of long-term debt (note 8)	134,500	260,813
	<b>833,917</b>	1,225,650
<b>Long-term debt (note 8)</b>	<b>2,283,145</b>	2,291,332
<b>Deferred contributions (note 9)</b>	<b>42,000</b>	-
	<b>2,325,145</b>	2,291,332
	<b>3,159,062</b>	3,516,982
<b>Net assets</b>		
<b>Unrestricted</b>	<b>2,672,449</b>	1,572,793
	<b>5,831,511</b>	5,089,775

See accompanying notes

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

**Statement of Changes in Net Assets**  
**For the Year Ended December 31, 2020**

	<b>2020</b> \$	<b>2019</b> \$
<b>Balance - beginning of year</b>	<b>1,572,793</b>	1,653,306
<b>Excess (deficiency) of revenues over expenses</b>	<b>1,099,656</b>	(80,513)
<b>Balance - end of year</b>	<b>2,672,449</b>	<b>1,572,793</b>

See accompanying notes

# Starlight Children's Foundation Canada

## Fondation pour l'enfance Starlight Canada

### Statement of Operations

#### For the Year Ended December 31, 2020

	2020 \$	2019 \$
<b>Revenues</b>		
Fundraising events	1,653,961	3,245,765
Donations	3,075,977	2,321,878
In-kind donations (including amortization of deferred contributions of approximately \$11,000 (2019 - \$14,000))	1,566,964	1,341,491
Interest	5,999	12,995
	<b>6,302,901</b>	6,922,129
<b>Expenses</b>		
Program (including amortization of property and equipment and website of approximately \$199,000 and gain on disposal of premises and equipment of approximately \$Nil (2019 - \$154,000 and \$85,500))	3,987,905	4,576,004
Fundraising	953,402	2,129,211
General and administrative (including amortization of property and equipment of approximately \$17,000 (2019 - \$8,500))	261,938	297,427
	<b>5,203,245</b>	7,002,642
<b>Excess (deficiency) of revenues over expenses</b>	<b>1,099,656</b>	(80,513)

See accompanying notes

# Starlight Children's Foundation Canada

## Fondation pour l'enfance Starlight Canada

### Statement of Cash Flows

#### For the Year Ended December 31, 2020

	2020 \$	2019 \$
<b>Operating activities</b>		
Excess (deficiency) of revenues over expenses	1,099,656	(80,513)
Amortization of property and equipment	91,665	51,214
Amortization of website	124,232	111,629
Amortization of deferred contributions	(10,500)	(13,987)
Deferred contributions	52,500	-
Gain on disposal of property and equipment	-	(85,545)
Change in fair value of investments	-	(4,115)
	<b>1,357,553</b>	<b>(21,317)</b>
Net change in non-cash working capital items	<b>89,955</b>	<b>146,938</b>
	<b>1,447,508</b>	<b>125,621</b>
<b>Investing activities</b>		
Investment acquisitions	-	(202,963)
Disposal of investments	88,673	460,959
Acquisition of property and equipment	(316,640)	(2,844,806)
Additions to website	(12,604)	(24,792)
Proceeds from disposal of property and equipment	-	85,700
	<b>(240,571)</b>	<b>(2,525,902)</b>
<b>Financing activities</b>		
Increase in long-term debt	-	2,596,000
Repayment of long-term debt	(134,500)	(43,854)
	<b>(134,500)</b>	<b>2,552,146</b>
<b>Increase in cash</b>	<b>1,072,437</b>	<b>151,865</b>
<b>Cash - beginning of year</b>	<b>944,620</b>	<b>792,755</b>
<b>Cash - end of year</b>	<b>2,017,057</b>	<b>944,620</b>

See accompanying notes

# **Starlight Children's Foundation Canada**

## **Fondation pour l'enfance Starlight Canada**

### **Notes to Financial Statements**

#### **December 31, 2020**

## **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.

### **Pledges receivables**

Because of the uncertainty surrounding the collectability of pledges, the Foundation recognizes only those pledges for which amounts have been received at the date of completion of the financial statements.

# **Starlight Children's Foundation Canada**

## **Fondation pour l'enfance Starlight Canada**

### **Notes to Financial Statements**

#### **December 31, 2020**

## **2. Significant accounting policies (continued)**

### **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 \$1,582,000 (2019 - \$1,355,000). They have been recorded as follows:

- \$15,000 (2019 - \$13,000) 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
- \$1,567,000 (2019 - \$1,342,000) 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, 2020.

### **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.

# Starlight Children's Foundation Canada

## Fondation pour l'enfance Starlight Canada

### Notes to Financial Statements

#### December 31, 2020

## 2. Significant accounting policies (continued)

### Property and equipment

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

	Methods	Rates and period
Building	Declining balance method	5%
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.

### 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 excess (deficiency) of revenues over expenses in the period incurred.

# Starlight Children's Foundation Canada

## Fondation pour l'enfance Starlight Canada

### Notes to Financial Statements

#### December 31, 2020

## 2. Significant accounting policies (continued)

### Government assistance

Government assistance related to current expenses, in particular those related to salaries and rent, are accounted for using the cost reduction approach whereby the subsidies are credited to the related expenses when the related expenditures are incurred, provided there is reasonable assurance that the Company has complied and will continue to comply with all the conditions.

Subsidies received from the Government of Canada under the Canada Emergency Wage Subsidy for Employers ("CEWS") amounted to approximately \$510,000 (2019 - \$Nil) have been applied as follows; \$ 367,000 (2019 - \$Nil) reduction of program salaries, \$96,000 (2019 - \$Nil) reduction to fundraising expenses and \$47,000 (2019 - \$Nil) reduction of general and administrative salaries.

Subsidies received from the Government of Canada under the Canada Emergency Rent Subsidy ("CERS") amounted to approximately \$44,000 (2019 - \$Nil) have been applied as a reduction of general and administrative expenses.

## 3. Bank facility

The Foundation's banking facility makes available business credit cards for an aggregate available credit in the amount of \$120,000, repayable on demand and bearing interest at 19.5% per annum. The Foundation signed a movable hypothec on its investments as security for the facility. The credit facility was not used at year end. The Foundation has another credit card facility in the amount of \$200,000, repayable on demand, bearing interest at 19.15% annum

## 4. Short-term and long-term investments

The investments consist of guaranteed investment certificates of approximately \$191,000 (2019 - \$205,000), that bear interest ranging from 0.78% to 2.08% (2019 - 1.95% to 2.32%) per annum and mature from January 21, 2021 to April 14, 2021 (2019 - February 5, 2020 to January 21, 2021) and portfolios investments of \$4,000.

## 5. Pledges and sundry receivable

	2020	2019
	\$	\$
Pledges receivable	250,819	219,804
Government remittances receivable	74,971	366,122
Sundry receivables	4,048	7,574
	<b>329,838</b>	<b>593,500</b>

# Starlight Children's Foundation Canada

## Fondation pour l'enfance Starlight Canada

### Notes to Financial Statements

December 31, 2020

#### 6. Property and equipment

	Cost \$	Accumulated amortization \$	2020 Net book value \$	2019 Net book value \$
Land	1,853,398	-	1,853,398	1,853,398
Building	806,965	52,299	754,666	781,074
Furniture and equipment	5,115	-	5,115	-
Computer	100,717	61,056	39,661	19,408
Automobiles	205,959	26,138	179,821	17,856
Boats	273,550	31,425	242,125	178,075
	3,245,704	170,918	3,074,786	2,849,811

As part of its programs, the Foundation offers adapted Utility Terrain Vehicles (UTV's) and hovercraft rides. Included in automobiles is approximately \$121,000 for the UTV's and \$85,000 for the hovercraft is included in the Boats caption which were not amortized in 2020 as they were purchased at the end of the year.

#### 7. 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 and funded projects which will be distributed in the subsequent periods. Changes in deferred revenue and contributions are approximately as follows:

	2020 \$	2019 \$
<b>Balance - beginning of year</b>	<b>443,000</b>	327,000
Recognized as revenue during the year	(316,000)	(327,000)
Received in the year, relating to subsequent years	213,000	443,000
<b>Balance - end of year</b>	<b>340,000</b>	443,000

# Starlight Children's Foundation Canada

## Fondation pour l'enfance Starlight Canada

### Notes to Financial Statements

December 31, 2020

#### 8. Long-term debt

	2020	2019
	\$	\$
Term loan bearing interest at 3.74% (2019 - prime plus 0.75%), repayable in monthly capital instalments of \$979 plus interest with a final payment of \$71,500 (2019 - \$130,229) due on September 26, 2025 (2019 - October 26, 2020), secured by a marine hypothec in the amount of \$200,000. During the year, interest on long-term debt amounted to \$6,621 (2019 - \$1,464)	126,312	138,062
Mortgage payable bearing interest at 3.99% per annum, repayable in monthly capital instalments of \$10,229 plus interest, amortized over 20 years, matures on September 26, 2024, secured by an immovable hypothec on the land and the building in the amount of \$2,455,000. During the year, interest on long-term debt amounted to \$94,077 (2019 - \$28,366)	<u>2,291,333</u>	2,414,083
	2,417,645	2,552,145
Current portion of long-term debt	<u>134,500</u>	260,813
	<u>2,283,145</u>	2,291,332

As part of one of its programs, the Foundation offers adapted boating to its families. The term loan is used to finance the boat that the Foundation uses to carry out this activity.

Under the terms of both loans, the Foundation is required to comply with certain financial covenants. As at December 31, 2020, the Foundation was in compliance with the financial covenants. Principal payments due in each of the next five years are as follows:

	\$
2021	134,500
2022	134,500
2023	134,500
2024	134,500
2025	202,062
Others	1,677,583

# Starlight Children's Foundation Canada

## Fondation pour l'enfance Starlight Canada

### Notes to Financial Statements

#### December 31, 2020

#### 9. Deferred contributions

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

	2020 \$	2019 \$
<b>Balance - beginning of year</b>	-	120,000
Additions during the year	52,500	-
Recognized as revenue in the year	(10,500)	(14,000)
Disposal of contributed property and equipment	-	(106,000)
<b>Balance - end of year</b>	<b>42,000</b>	-

#### 10. Allocation of expenses

The general operating expenses are allocated approximately as follows:

	Wages and benefits		Insurance		Occupancy and office	
	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$
Program	<b>946,000</b>	1,197,000	<b>31,000</b>	30,000	<b>406,000</b>	496,000
Fundraising	<b>249,000</b>	415,000	<b>5,000</b>	5,000	<b>73,000</b>	87,000
Administration	<b>135,000</b>	192,000	<b>3,000</b>	3,000	<b>42,000</b>	52,000

#### 11. 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 interest and variable-interest financial instruments. Fixed-interest instruments subject the Foundation to a fair value risk while the variable-interest instruments subject it to a cash flow 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 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.

# **Starlight Children's Foundation Canada**

## **Fondation pour l'enfance Starlight Canada**

### **Notes to Financial Statements**

#### **December 31, 2020**

## **11. 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, 2020, the Foundation has met its objective of having significant liquidity to meet its current obligations.

## **12. Comparative figures**

Certain reclassifications of December 31, 2019 amounts have been made to facilitate comparison with the current period.

## **13. Impact of COVID-19**

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic, which continues to spread throughout Canada and around the world.

While the Foundation expects this matter to negatively impact its results of operations, cash flows and financial position, the related financial impact cannot be reasonably estimated at this time. As of the report date, the Foundation is aware of changes in its operations as a result of COVID-19, notably the decrease in fundraising events revenues, compensated partly by increase in its donations revenues and cancellation of certain programs. However, the Foundation had reacted and strategically implemented plans that are maintaining strong programming for children and their families and a contingency plan to ensure that the Foundation will continue as a going concern under the circumstances prevailing as of the date of the report.

As a result, we are unable to estimate the potential impact on our Foundation as of the date of this filing.