

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

**Financial Statements
December 31, 2021**

Starlight Children's Foundation Canada

Fondation pour l'enfance Starlight Canada

Financial Statements
December 31, 2021

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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, 2021, 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, 2021, 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, 2021, current assets and net assets as at December 31, 2021. Our audit opinion on the financial statements for the year ended December 31, 2020 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.

 Richter LLP¹

Montréal, Quebec
July 26, 2022

¹CPA auditor, public accountancy permit No. A112505

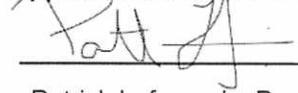
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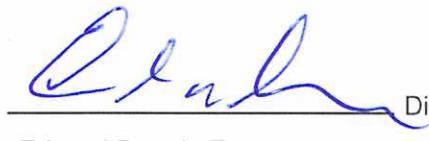
Statement of Financial Position
As at December 31, 2021

	2021 \$	2020 \$
Assets		
Current		
Cash	2,057,947	2,017,057
Short-term investments (note 5)	137,943	194,544
Pledges and sundry receivable (note 6)	406,963	329,838
Contributed materials to be distributed	264,815	14,733
Prepaid expenses	169,035	200,553
	3,036,703	2,756,725
Property and equipment (note 7)	3,097,172	3,074,786
	6,133,875	5,831,511

See accompanying notes

Approved on behalf of the board


_____, Director
Patrick Lefrançois, President


_____, Director
Edward Prorok, Treasurer

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Statement of Financial Position
As at December 31, 2021

	2021 \$	2020 \$
Liabilities		
Current		
Accounts payable and accrued liabilities	490,730	359,204
Deferred revenue and contributions (note 8)	392,435	340,213
Current portion of long-term debt (note 9)	134,500	134,500
	1,017,665	833,917
Long-term debt (note 9)	2,148,645	2,283,145
Deferred contributions (note 11)	33,600	42,000
	2,182,245	2,325,145
	3,199,910	3,159,062
Commitments		
Net assets		
Unrestricted	2,933,965	2,672,449
	6,133,875	5,831,511

See accompanying notes

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Statement of Changes in Net Assets
For the Year Ended December 31, 2021

	2021 \$	2020 \$
Balance - beginning of year	2,672,449	1,572,793
Excess of revenues over expenses	261,516	1,099,656
Balance - end of year	2,933,965	2,672,449

See accompanying notes

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Statement of Operations
For the Year Ended December 31, 2021

	2021 \$	2020 \$
Revenues		
Fundraising events	1,458,539	1,653,961
Donations	4,398,463	3,075,977
In-kind donations (including amortization of deferred contributions of approximately \$8,000 (2020 - \$11,000))	1,692,724	1,566,964
Interest	8,543	5,999
	7,558,269	6,302,901
Expenses		
Program (including amortization of property and equipment and website of approximately \$118,000 (2020 - \$199,000) and loss on disposal of property and equipment of approximately \$22,000 (2020 - \$Nil))	6,511,935	3,987,905
Fundraising	548,659	953,402
General and administrative (including amortization of property and equipment of approximately \$12,000 (2020 - \$17,000))	236,159	261,938
	7,296,753	5,203,245
Excess of revenues over expenses	261,516	1,099,656

See accompanying notes

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Statement of Cash Flows
For the Year Ended December 31, 2021

	2021 \$	2020 \$
Operating activities		
Excess of revenues over expenses	261,516	1,099,656
Amortization of property and equipment	130,131	91,665
Amortization of website	-	124,232
Amortization of deferred contributions	(8,400)	(10,500)
Deferred contributions	-	52,500
Loss on disposal of property and equipment	21,576	-
	404,823	1,357,553
Net change in non-cash working capital items	(111,941)	89,955
	292,882	1,447,508
Investing activities		
Disposal of investments	-	88,673
Acquisition of property and equipment	(252,593)	(316,640)
Additions to website	-	(12,604)
Proceeds from disposal of property and equipment	78,500	-
Decrease in short-term investments	56,601	-
	(117,492)	(240,571)
Financing activity		
Repayment of long-term debt	(134,500)	(134,500)
Increase in cash	40,890	1,072,437
Cash - beginning of year	2,017,057	944,620
Cash - end of year	2,057,947	2,017,057

See accompanying notes

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Notes to Financial Statements

December 31, 2021

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. Change in accounting policy

The Foundation adopted the amendments to Financial Instruments, Section 3856 relating to the recognition of financial instruments originated or exchanged in a related party transaction.

Under these new requirements, such a financial instrument is initially measured at cost, which is determined depending on whether the instrument has repayment terms:

- the cost of a financial instrument that does not have repayment terms is determined using the consideration transferred or received by the Foundation; and
- the cost of a financial instrument that has repayment terms is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses.

Subsequent measurement is based on how the instrument was initially measured. In general, a financial instrument is subsequently measured at cost, less any reduction for impairment, or at fair value.

According to the transition provisions, such financial instruments that exist at the date; these amendments are applied for the first time, i.e. January 1, 2021, are measured as follows. The cost of an instrument that has repayment terms is determined using its undiscounted cash flows, excluding interest, less any impairment as at the beginning of the earliest comparative period, i.e. January 1, 2020. The cost of an instrument that does not have repayment terms is deemed to be its carrying amount in the Foundation's financial statements, less any impairment, as at the same date. The fair value of an instrument that is an investment in shares quoted in an active market is determined as at the same date.

The adoption of these new requirements had no impact on the Foundation's financial statements.

3. 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.

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Notes to Financial Statements

December 31, 2021

3. Significant accounting policies (continued)

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.

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Notes to Financial Statements

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3. 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 \$1,958,000 (2020 - \$1,582,000). They have been recorded as follows:

- \$265,000 (2020 - \$15,000) 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
- \$1,693,000 (2020 - \$1,567,000) 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, 2021.

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.

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Notes to Financial Statements

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3. 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.

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 \$360,000 (2020 - \$510,000) have been applied as follows; \$263,000 (2020 - \$367,000) reduction of program salaries, \$65,000 (2020 - \$96,000) reduction to fundraising expenses and \$32,000 (2020 - \$47,000) reduction of general and administrative salaries.

Subsidies received from the Government of Canada under the Canada Emergency Rent Subsidy ("CERS") amounted to approximately \$57,000 (2020 - \$44,000) have been applied as a reduction of general and administrative expenses.

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December 31, 2021

3. Significant accounting policies (continued)

Financial instruments

The Foundation initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. Financial assets and liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the Foundation is in the capacity of management, are initially measured at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. If it does, the cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. Otherwise, the cost is determined using the consideration transferred or received by the Foundation in the transaction.

The Foundation subsequently measures all its financial assets and 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.

Transaction costs related to financial instruments subsequently measured at fair value or to those originated or exchanged in a related party transaction are recognized in income in the period incurred. Transaction costs related to financial instruments originated or exchanged in an arm's length transaction that are subsequently measured at amortized cost are recognized in the original cost of the instrument. When the instrument is measured at amortized cost, the transaction costs are then recognized in income over the life of the instrument using the straight-line method.

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

4. Bank facility

The Foundation's banking facility makes available business credit cards for an aggregate available credit in the amount of \$100,000 (2020 - \$120,000), repayable on demand and bearing interest at 19.5% per annum. Subsequent to year end, the \$100,000 business credit card had been canceled. 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

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5. Short-term investments

The investments consist of guaranteed investment certificates of approximately \$133,000 (2020 - \$191,000), that bear interest at 0.60% (2020 - 0.78% to 2.08%) per annum and mature April 14, 2022 (2020 - January 21, 2021 to April 14, 2021) and portfolios investments of \$5,000 (2020 - \$4,000).

6. Pledges and sundry receivable

	2021 \$	2020 \$
Pledges receivable	175,965	250,819
Government remittances receivable	179,424	74,971
Sundry receivables	51,574	4,048
	406,963	329,838

Included in sundry receivables is an advance receivable from an employee of approximately \$38,000 bearing interest at 1%. The advance was repaid subsequent to year end.

7. Property and equipment

	Cost \$	Accumulated amortization \$	2021 Net book value \$	2020 Net book value \$
Land	1,853,398	-	1,853,398	1,853,398
Building	815,546	90,461	725,085	754,666
Furniture and equipment	5,115	1,534	3,581	5,115
Computer	100,717	72,954	27,763	39,661
Automobiles	266,348	48,178	218,170	179,821
Boats	336,550	67,375	269,175	242,125
	3,377,674	280,502	3,097,172	3,074,786

As part of its programs, the Foundation offers adapted Utility Terrain Vehicles (UTV's) and hovercraft rides. Included in automobiles is approximately \$152,000 (2020 - \$121,000) for the UTV's and \$135,000 (2020 - \$85,000) for the hovercraft is included in Boats.

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8. 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:

	2021 \$	2020 \$
Balance - beginning of year	340,000	443,000
Recognized as revenue during the year	(328,000)	(316,000)
Received in the year, relating to subsequent years	172,000	213,000
Contributed materials to be distributed	208,000	-
Balance - end of year	392,000	340,000

9. Long-term debt

	2021 \$	2020 \$
Term loan bearing interest at 3.74%, repayable in monthly capital instalments of \$979 plus interest with a final payment of \$71,500 due on September 26, 2025, secured by a marine hypothec in the amount of \$200,000. During the year, interest on the long-term debt amounted to approximately \$4,500 (2020 - \$6,621) ^(a)	114,562	126,312
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 the long-term debt amounted to approximately \$89,000 (2020 - \$94,077)	2,168,583	2,291,333
	2,283,145	2,417,645
Current portion of long-term debt	134,500	134,500
	2,148,645	2,283,145

a) 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, 2021, the Foundation was in compliance with the financial covenants.

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Notes to Financial Statements December 31, 2021

9. Long-term debt (continued)

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

	\$
2022	134,500
2023	134,500
2024	134,500
2025	202,062
2026	122,750
Others	1,554,833

Subsequent to year end, the Foundation purchased a second pontoon in the amount of approximately \$400,000 in order to expand the adapted boating program to more of its families. A term loan was used to finance the acquisition of the boat that the Foundation uses to carry out this activity. The term loan is in the amount of \$324,000, bears interest at 4.39%, is repayable in monthly capital instalments of \$5,000 plus interest and has a maturity date of April 28, 2027.

10. Commitments

The Foundation is currently in the process of finalizing a lease for a new premise. The commitment of the Foundation for the new premise agreement (exclusive of other occupancy charges) and other contractual program obligations will aggregate approximately \$244,000:

	\$
2023	29,000
2024	59,000
2025	61,000
2026	63,000
2027	32,000

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Notes to Financial Statements December 31, 2021

11. Deferred contributions

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

	2021 \$	2020 \$
Balance - beginning of year	42,000	-
Additions during the year	-	52,500
Recognized as revenue in the year	(8,400)	(10,500)
Balance - end of year	33,600	42,000

12. Allocation of expenses

The general operating expenses are allocated approximately as follows:

	Wages and benefits		Insurance		Occupancy and office	
	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$
Program	951,000	946,000	34,000	31,000	306,000	406,000
Fundraising	188,000	249,000	6,000	5,000	47,000	73,000
Administration	124,000	135,000	3,000	3,000	30,000	42,000

13. Financial instruments

The significant risks arising from financial instruments to which the Foundation is exposed as at December 31, 2021 are detailed below.

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.

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13. 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, 2021, the Foundation has met its objective of having significant liquidity to meet its current obligations.

14. 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.