

Financial Statements of

**THE CHILDREN'S WISH
FOUNDATION OF CANADA/
LA FONDATION CANADIENNE
RÊVES D'ENFANTS**

Year ended March 31, 2016



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Children's Wish Foundation of
Canada/La Fondation Canadienne Rêves d'Enfants

We have audited the accompanying financial statements of The Children's Wish Foundation of Canada/La Fondation Canadienne Rêves d'Enfants, which comprise the statement of financial position as at March 31, 2016, the statements of revenue and expenses, changes in net assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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.



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Basis for Qualified Opinion

In common with many charitable organizations, The Children's Wish Foundation of Canada/La Fondation Canadienne Rêves d'Enfants derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of The Children's Wish Foundation of Canada/La Fondation Canadienne Rêves d'Enfants and we were not able to determine whether, as at and for the years ended March 31, 2016 and 2015, any adjustments might be necessary to revenue and excess (deficiency) of revenue over expenses reported in the statements of revenue and expenses, excess (deficiency) of revenue over expenses reported in the statements of changes in net assets, excess (deficiency) of revenue over expenses reported in the statements of cash flows and current assets and net assets reported in the statements of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2015.

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 The Children's Wish Foundation of Canada/La Fondation Canadienne Rêves d'Enfants as at March 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 11, 2016
Toronto, Canada

THE CHILDREN'S WISH FOUNDATION OF CANADA/ LA FONDATION CANADIENNE RÊVES D'ENFANTS


Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash (note 2)	\$ 2,428,845	\$ 3,470,583
Short-term investments (note 2)	504,726	314,379
Receivables (note 3)	517,566	381,458
Prepaid expenses	138,384	142,803
	<u>3,589,521</u>	<u>4,309,223</u>
Investments held for the endowment fund (note 2)	729,955	646,282
Investments (note 4)	30,204,158	34,442,613
Capital assets (note 5)	338,236	583,559
	<u>\$ 34,861,870</u>	<u>\$ 39,981,677</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,949,276	\$ 1,649,869
Deferred capital contributions (note 6)	214,798	395,741
Net assets:		
Unrestricted:		
Disbursement Fund	1,222,261	1,220,504
Operating Fund	1,540,243	2,659,354
Restricted:		
Internally restricted - Forever Fund	29,081,899	33,222,109
Endowment Fund (note 10)	729,955	646,282
Investment in capital assets (note 5)	123,438	187,818
	<u>32,697,796</u>	<u>37,936,067</u>
Commitments (note 11)		
	<u>\$ 34,861,870</u>	<u>\$ 39,981,677</u>

See accompanying notes to financial statements.

On behalf of the Board:

 B. Abrams, Chair

Director



Director

THE CHILDREN'S WISH FOUNDATION OF CANADA/ LA FONDATION CANADIENNE RÊVES D'ENFANTS

Statement of Revenue and Expenses

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Revenue:		
Fundraisers	\$ 10,798,047	\$ 11,810,752
Donations	9,879,906	8,321,157
Lotteries	2,649,111	2,600,070
Investment income from transactions (note 4)	1,077,552	1,251,717
	24,404,616	23,983,696
Expenses:		
Children's wishes (note 12)	17,050,689	13,857,631
Administration (note 7)	3,243,773	3,414,415
Fundraisers (note 12)	6,239,156	5,871,384
Lotteries (note 12)	2,287,971	2,284,770
	28,821,589	25,428,200
Deficiency of expenses over revenue before the undernoted	(4,416,973)	(1,444,504)
Realized gain on investments	689,648	3,723,643
Unrealized loss on investments	(1,594,619)	(1,221,466)
Excess (deficiency) of revenue over expenses	\$ (5,321,944)	\$ 1,057,673

See accompanying notes to financial statements.

THE CHILDREN'S WISH FOUNDATION OF CANADA/ LA FONDATION CANADIENNE RÊVES D'ENFANTS

Statement of Changes in Net Assets

Year ended March 31, 2016, with comparative information for 2015

	2016				2015	
	Unrestricted - Disbursement Fund	Unrestricted - Operating Fund	Internally restricted - Forever Fund	Endowment Fund (note 10)	Investment in capital assets (note 5)	Total
Net assets, March 31, 2015	\$ 1,220,504	\$ 2,659,354	\$ 33,222,109	\$ 646,282	\$ 187,818	\$ 36,793,572
Excess (deficiency) of revenue over expenses	(3,622,707)	-	(1,594,619)	-	(104,618)	1,057,673
Internally restricted (note 1(d))	3,664,702	(1,119,111)	(2,545,591)	-	-	-
Investment in capital assets	(40,238)	-	-	-	40,238	-
Additions to endowment fund	-	-	-	69,700	-	27,744
Investment income on endowment fund	-	-	-	13,973	-	57,078
Net assets, March 31, 2016	\$ 1,222,261	\$ 1,540,243	\$ 29,081,899	\$ 729,955	\$ 123,438	\$ 37,936,067

See accompanying notes to financial statements.

THE CHILDREN'S WISH FOUNDATION OF CANADA/ LA FONDATION CANADIENNE RÊVES D'ENFANTS

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (5,321,944)	\$ 1,057,673
Amortization of capital assets	174,447	195,790
Amortization of deferred capital contribution	(180,943)	(74,734)
Loss of disposals of capital assets	111,114	—
Net change in unrealized loss on investments	1,594,619	1,221,466
Change in non-cash operating working capital	167,718	(136,996)
	(3,454,989)	2,263,199
Financing activities:		
Increase in endowment	83,673	84,822
Investing activities:		
Additions to capital assets	(40,238)	(137,465)
Decrease (increase) in investments, net	2,560,163	(2,273,638)
Decrease (increase) in short-term investments	(190,347)	1,147,860
	2,329,578	(1,263,243)
Increase (decrease) in cash	(1,041,738)	1,084,778
Cash, beginning of year	3,470,583	2,385,805
Cash, end of year	\$ 2,428,845	\$ 3,470,583

See accompanying notes to financial statements.

THE CHILDREN'S WISH FOUNDATION OF CANADA/ LA FONDATION CANADIENNE RÊVES D'ENFANTS

Notes to Financial Statements

Year ended March 31, 2016

The Foundation was previously incorporated as a not-for-profit organization under Part II of the Canada Corporations Act and was continued under the Canada Not-for-Profit Corporations Act in June 2014. Its objectives are as follows:

- To grant wishes to children suffering from high-risk, life-threatening illnesses;
- To fund research with respect to high-risk, life-threatening diseases that particularly afflict children;
- To provide grants to health care facilities in Canada which provide medical care to children eligible to receive wishes from the Foundation; and
- To provide grants to not-for-profit organizations in Canada which provide services, facilities or activities to enhance the quality of life of children eligible to receive wishes from the Foundation.

The Foundation is a registered charity under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

1. Significant accounting policies:

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

(a) Revenue recognition:

Donations are recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. No accruals are made for monies pledged but not yet received. Volunteer services are not recorded. Donated materials and services are recorded at fair value at the time of receipt. Donated materials and services for the year ended March 31, 2016 amounted to \$2,464,813 (2015 - \$1,873,454).

Investment income, which is recorded on the accrual basis, includes interest and dividends. All changes in fair value are recognized in the statement of revenue and expenses.

Endowment contributions are recognized as direct increases in net assets.

THE CHILDREN'S WISH FOUNDATION OF CANADA/ LA FONDATION CANADIENNE RÊVES D'ENFANTS

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Foundation's ability to provide services, its carrying amount is written down to its residual value.

THE CHILDREN'S WISH FOUNDATION OF CANADA/ LA FONDATION CANADIENNE RÊVES D'ENFANTS

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

Capital assets are amortized on a straight-line basis over their useful lives as follows:

Furniture and equipment	5 years
Computers	3 years
Leasehold improvements	Over terms of various leases
Automobiles	6 years

(d) Net assets:

The Board of Directors ("Board") of the Foundation has directed management to maintain separate fund balances within the net assets of the Foundation. The unrestricted operating fund reflects resources available for immediate use and the internally restricted Forever Fund was established to ensure the uninterrupted granting of wishes in perpetuity. The Board designated the cash funds within the Forever Fund as unrestricted as the Disbursement Fund to facilitate cash flow requirements to grant wishes in the current year and other approved Board initiatives.

(e) Foreign currency translation:

The fair values of foreign currency-denominated investments included in the statement of financial position are translated into Canadian dollars at year-end rates of exchange. Gains and losses arising from translation are reflected in the statement of revenue and expenses in investment income.

(f) Allocation of general administrative expenses:

The Foundation classifies certain expenses on the statement of revenue and expenses by function. The Foundation allocates certain costs by identifying the appropriate basis of allocating and applying that basis consistently each year. The Foundation allocates expenses based on program, including wishes, charitable programs, fundraising and administration. Following are the major expense allocation categories:

- (i) Wishes - all direct costs associated with wish granting are accounted for as wish expenses.

THE CHILDREN'S WISH FOUNDATION OF CANADA/ LA FONDATION CANADIENNE RÊVES D'ENFANTS

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(ii) Fundraising - all direct costs associated with producing revenue are accounted for as fundraising expenses.

(iii) Payroll - allocated based on program, as well as the nature of tasks performed.

(iv) Meetings, professional fees and computer systems - allocated as administration expenses.

(v) Advertising and promotion - allocated based on specific project nature.

(vi) Office - allocated based on the area ratio of occupation by the specific program.

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets. Actual results could differ from those estimates.

2. Cash and investments:

Cash includes \$437,471 (2015 - \$1,288,036) of restricted funds held in bank accounts for the purpose of expenditure payments relating to lotteries and raffles.

Short-term investments are made up of a guaranteed investment certificate, with an interest rate of 1.00% (2015 - 1.40%) and a maturity date of April 20, 2016 (2015 - December 14, 2015). The investment is a restricted investment secured from gaming activities. The monies are restricted to eligible expenditures to be made to benefit clients residing in the province that the proceeds were received. Funds are transferred upon proof of payment of such eligible expenditures.

Investments held for the Endowment Fund are comprised of money market funds, fixed income as well as domestic and foreign equities.

THE CHILDREN'S WISH FOUNDATION OF CANADA/ LA FONDATION CANADIENNE RÊVES D'ENFANTS

Notes to Financial Statements (continued)

Year ended March 31, 2016

3. Receivables:

	2016	2015
Harmonized sales tax receivable	\$ 239,296	\$ 211,968
Revenue receivable	278,270	169,490
	<u>\$ 517,566</u>	<u>\$ 381,458</u>

4. Investments:

	2016		2015	
	Cost	Fair value	Cost	Fair value
Cash equivalents:				
Money market fund	\$ 3,213,267	\$ 3,213,267	\$ 3,592,682	\$ 3,592,682
Equities:				
Domestic	8,079,648	9,623,354	8,331,965	10,507,499
Foreign	8,019,226	9,524,300	9,121,678	11,411,147
Fixed income:				
Domestic	7,792,491	7,843,237	8,702,143	8,931,285
	<u>\$ 27,104,632</u>	<u>\$ 30,204,158</u>	<u>\$ 29,748,468</u>	<u>\$ 34,442,613</u>

Investment income consists of:

	2016	2015
Interest	\$ 6,527	\$ 11,239
Dividends	1,038,945	1,194,133
Foreign exchange gain	32,080	46,345
Investment income from transactions	1,077,552	1,251,717
Realized gain on investments	689,648	3,723,643
Net change in unrealized loss on investments	(1,594,619)	(1,221,466)
	<u>\$ 172,581</u>	<u>\$ 3,753,894</u>

THE CHILDREN'S WISH FOUNDATION OF CANADA/ LA FONDATION CANADIENNE RÊVES D'ENFANTS

Notes to Financial Statements (continued)

Year ended March 31, 2016

4. Investments (continued):

Investment risk management:

Risk management relates to the understanding and active management of risks associated with all areas of the Foundation's activities and the associated operating environment. Investments are primarily exposed to market and credit, interest rate, foreign currency and liquidity risks. The Foundation has formal policies and procedures that establish target asset mix. The Foundation's policies also require diversification of investments within categories, and set limits on exposure to individual investments. There have been no changes to the risk exposures from 2015.

(a) Market and credit risks:

The value of equity securities changes with stock market conditions, which are affected by general economic and market conditions. The value of fixed income securities will vary with developments within the specific companies or governments which issue the securities. The Foundation manages this risk through controls to monitor and limit concentration levels.

(b) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by the Foundation. Changes in interest rates may also affect the value of equity securities. The Foundation's policies for managing this risk are disclosed above.

(c) Foreign currency risk:

The value of securities denominated in a currency other than the Canadian dollar will be affected by changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated. The Foundation's investment manager mitigates this risk by limiting concentration levels.

THE CHILDREN'S WISH FOUNDATION OF CANADA/ LA FONDATION CANADIENNE RÊVES D'ENFANTS

Notes to Financial Statements (continued)

Year ended March 31, 2016

4. Investments (continued):

(d) Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements. The Foundation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

5. Capital assets:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and equipment	\$ 90,977	\$ 54,138	\$ 36,839	\$ 46,386
Donated furniture	4,000	800	3,200	—
Computers	86,284	51,818	34,466	64,790
Donated computer equipment	304,403	89,605	214,798	395,741
Leasehold improvements	87,156	51,023	36,133	57,442
Automobiles	38,400	25,600	12,800	19,200
	\$ 611,220	\$ 272,984	\$ 338,236	\$ 583,559

(a) Investment in capital assets is calculated as follows:

	2016	2015
Capital assets	\$ 338,236	\$ 583,559
Amounts financed by:		
Deferred contributions	214,798	395,741
	\$ 123,438	\$ 187,818

THE CHILDREN'S WISH FOUNDATION OF CANADA/ LA FONDATION CANADIENNE RÊVES D'ENFANTS

Notes to Financial Statements (continued)

Year ended March 31, 2016

5. Capital assets (continued):

(b) Change in net assets invested in capital assets is calculated as follows:

	2016	2015
Excess of revenue over expenses:		
Amortization of deferred capital contributions	\$ 180,943	\$ 74,734
Amortization of capital assets	(174,447)	(195,790)
Loss on disposal of capital assets	(111,114)	-
	<u>\$ (104,618)</u>	<u>\$ (121,056)</u>
Net change in investment in capital assets:		
Purchase of capital assets	\$ 40,238	\$ 137,465

6. Deferred capital contributions:

Deferred capital contributions represent donations in-kind for software and computer equipment. The changes in the deferred capital contributions balance for the year are as follows:

	2015	Additions	Amortization	2016
Donated computer equipment	\$ 395,741	\$ -	\$ 180,943	\$ 214,798

THE CHILDREN'S WISH FOUNDATION OF CANADA/ LA FONDATION CANADIENNE RÊVES D'ENFANTS

Notes to Financial Statements (continued)

Year ended March 31, 2016

7. Administration expenses:

	2016	2015
Salaries and benefits	\$ 1,412,047	\$ 1,455,761
Professional fees	404,863	431,254
Rent and utilities	419,235	409,842
Office	400,254	394,848
Board and committee meetings	236,445	290,837
Amortization	174,447	195,790
Promotion and advertising	46,825	91,732
Telephone	76,004	75,485
Other	37,514	37,467
Insurance	36,139	31,399
	\$ 3,243,773	\$ 3,414,415

8. Government assistance:

Government assistance received by the Foundation during the year amounted to \$27,244 (2015 - \$24,530). These funds were for the temporary employment of individuals for specific programs.

9. Fundraising:

As required by Alberta legislation, with regard to reporting of fundraising, gross fundraising revenue received in Alberta was \$2,445,319 (2015 - \$2,902,642). Remuneration to employees whose principal duties involve fundraising approximated \$310,200 (2015 - \$360,335).

THE CHILDREN'S WISH FOUNDATION OF CANADA/ LA FONDATION CANADIENNE RÊVES D'ENFANTS

Notes to Financial Statements (continued)

Year ended March 31, 2016

10. Endowment Fund:

The Endowment Fund represents externally restricted amounts which have been specifically restricted by the donor.

	2016	2015	Net change
Contributions	\$ 568,499	\$ 498,799	\$ 69,700
Accumulated investment income	128,788	109,441	19,347
Unrealized gain (loss)	32,668	38,042	(5,374)
	<u>\$ 729,955</u>	<u>\$ 646,282</u>	<u>\$ 83,673</u>

11. Commitments:

- (a) The Foundation is committed to payments, excluding maintenance and operating costs, under operating leases for buildings through 2023. Annual payments are as follows:

2017	\$ 363,000
2018	294,000
2019	210,000
2020	148,000
2021	95,000
Thereafter	93,000
	<u>\$ 1,203,000</u>

- (b) For the year ended March 31, 2016, the Foundation reported 2,133 pending wishes to be fulfilled. The associated costs with these wishes amount to \$30,433,644 based on an estimated average cost per wish of \$14,268.

THE CHILDREN'S WISH FOUNDATION OF CANADA/ LA FONDATION CANADIENNE RÊVES D'ENFANTS

Notes to Financial Statements (continued)

Year ended March 31, 2016

12. Allocation of expenses:

Expenses have been allocated as follows:

2016	Salaries and benefits	Office and general	Advertising	Fundraising	Total
Children's wishes	\$ 2,417,945	\$ 303,876	\$ 141,221	\$ —	\$ 2,863,042
Fundraisers and lotteries	2,877,927	216,932	565,005	4,867,263	8,527,127
	\$ 5,295,872	\$ 520,808	\$ 706,226	\$ 4,867,263	\$ 11,390,169

2015	Salaries and benefits	Office and general	Advertising	Fundraising	Total
Children's wishes	\$ 2,386,664	\$ 285,026	\$ 16,506	\$ —	\$ 2,688,196
Fundraisers and lotteries	2,830,918	188,496	511,262	4,625,478	8,156,154
	\$ 5,217,582	\$ 473,522	\$ 527,768	\$ 4,625,478	\$ 10,844,350