THE KIWANIS FOUNDATION OF CANADA INCORPORATED

FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

THE KIWANIS FOUNDATION OF CANADA INCORPORATED

September 30, 2013

Contents

D. M. AUSTIN
Chartered Accountant

340 Henry St., Unit 12
Brantford, Ontario
N3S 7B9
Ph:519-751-4353
Fx: (519-751-4350
www.dmaustin-ca.com
daustin@bellnet.ca

Independent Auditors' Report

To the Members of:
The Kiwanis Foundation Of Canada Incorporated

I have audited the accompanying financial statements of The Kiwanis Foundation Of Canada Incorporated, which comprise the statement of financial position as at September 30, 2013 and the statements of operations, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 risk 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 purposes of expressing an opinion of 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at September 30, 2013 and the results of its operations and changes in it's net assets for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations..

Other of Matter

In common with many non-profit organizations, the organization derives its revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the organization. I was not able to determine whether any adjustments might be necessary to donations received, excess of revenue over expenses, assets and net assets.

Comparative Information

Without modifying my opinion, I draw attention to Note 4 to the financial statements which describes that ***The Kiwanis Foundation of Canada Incorporated*** *adopted Canadian accounting standards for not-for-profit organizations on October 1, 2012 with a transition date of October 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at September 30, 2012 and October 1, 2011, and the statements of general operations and cash flows for the year ended September 30, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited because it was audited under Part V GAAP.*

Brantford, Ontario
March 19, 2014

CPA, Chartered Accountant, LPA

THE KIWANIS FOUNDATION OF CANADA INCORPORATED

STATEMENT OF FINANCIAL POSITION

As at September 30, 2013

	2013	2012
Assets		
Current		
Cash and bank	$ 49,555	$ 34,921
Segregated cash, ELIMINATE Program	163,018	63,348
G.S. T. recoverable	6,812	6,037
Inventory	5,365	4,321
	224,750	108,627
Long Term		
Long term investments - (see Note 3)	2,392,383	2,687,079
	$ 2,617,133	$ 2,795,706
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 174,142	$ 3,501
Net Assets	**2,442,991**	**2,792,205**
NET ASSETS represented by:		
Net assets restricted for Scholarships (see Note 4)	620,000	620,000
Net assets restricted for Bagnell Award	5,887	5,920
Net assets restricted for Natural Disaster Relief	100,000	100,000
Net assets restricted for Youth	43,951	37,858
Net assets restricted for Summerland	31,837	33,122
Net assets restricted for Osborne	25,000	-
Unrestricted net assets - (see Note 7)	1,616,316	1,995,305
NET FUNDS ASSETS	**2,442,991**	**2,792,205**

Approved on Behalf of the Board

_______________________________ *Director*

_______________________________ *Director*

See accompanying notes
D.M. Austin, Chartered Accountant

THE KIWANIS FOUNDATION OF CANADA INCORPORATED

Statement of OPERATIONS

For the Year Ended September 30, 2013

	2013	2012
RECEIPTS		
Donations		
General club donations- (see Note 2)	$ 47,852	$ 93,135
Mel Osborne Fellowship	25,029	22,500
Memorial	770	1,275
Thetford Mines Project	-	22,220
Matching scholarships	48,290	45,475
KCCBCY (PNW Project)	44,266	102,195
ELIMINATE program - (see Note 1)	566,588	346,576
Miscellaneous projects	1,000	450
Natural disaster fund	-	2,050
Osborne scholarship contributions	3,300	6,455
HIV-AIDS/CAP Project	-	52,227
Key club members	500	-
	737,595	694,558
Other Income		
Interest and dividends earned	86,665	73,095
Other investment income	7,354	17,967
	94,019	91,062
Total Receipts	***831,614***	***785,620***
Expenses		
Administration services	32,558	24,889
Printing/newsletters/brochures	7,225	7,337
Insurance	864	864
Postage and shipping	2,070	2,137
Professional fees	3,877	3,577
Marketing and promotions	3,854	1,270
Stationery and supplies	856	1,776
Telephone	687	555
Travel and board expenses	6,111	6,746
	58,102	49,151
Projects		
Scholarships	88,328	78,860
HIV/AIDS	-	317,007
IDD - UNICEF	-	350,000
Eliminate - Match KFC	838,018	103,561
Scholarships - KCCBCY	75,251	133,992
Thetford Mines	1,207	20,713
Scholarships - Osborne	28,650	12,000
Scholarship -Summerland	2,500	3,000
Key club matching scholarships	1,000	2,000
Youth miscellaneous	5,800	22,550
Miscellaneous projects	85,028	15,885
Boys & Girls Club grant	3,000	3,000
New club grant	2,325	3,242
	1,131,107	1,065,810
Total Expenses	***1,189,209***	***1,114,961***
Shortfall of Revenue over Expenses, before investment gain/ (loss)	(357,595)	(329,341)
Gains (Loss) on Investments	8,381	-
Shortfall of Revenue over Expenses for the year	***$ (349,214)***	***$ (329,341)***

See accompanying notes
D.M. Austin, Chartered Accountant

THE KIWANIS FOUNDATION OF CANADA INCORPORATED

Statement of CHANGES IN NET ASSETS

September 30, 2013

NET ASSETS	*Natural Disaster Relief*	*Bagnell Award*	*Scholarship Fund*	*Youth Fund*	*Summerland*	*Osborne*	*Unrestricted See Note 7*	*Total 2013*	*Total 2012*
Balance, beginning of year	$ 100,000	$ 5,920	$ 620,000	$ 37,858	$ 33,122	$ -	$ 1,995,305	$ 2,792,205	$ 3,121,547
Excess of Revenue over Expenditures	(30)	(33)	(7,117)	6,093	(1,285)	-	(346,842)	(349,214)	(329,342)
Internally restricted transfers	30	-	7,117	-	-	25,000	(32,147)	-	-
Balance, end of year	**100,000**	**5,887**	**620,000**	**43,951**	**31,837**	**25,000**	**1,616,316**	**2,442,991**	**2,792,205**

See accompanying notes
D.M. Austin, Chartered Accountant

THE KIWANIS FOUNDATION OF CANADA INCORPORATED

Statement of Cash Flows

September 30, 2013

	2013	2012
Cash Provided by Operating Activities		
Excess of Revenue over Expenses for the year	$ (349,214)	$ (329,342)
	(349,214)	**(329,342)**
Changes in non-cash working capital:		
Account receivable	(776)	(1,084)
Inventories	(1,044)	707
Accounts Payable	170,643	(4,280)
	168,823	(4,657)
Net Cash Provided by Operating Activities	**(180,391)**	**(333,999)**
Decrease in investments	294,695	(39,965)
Cash Flows used in Investing Activities	**294,695**	**(39,965)**
Net Increase in Cash and Cash Equivalents	**114,304**	**(373,964)**
Net Cash and Cash Equivalents, beginning of year	98,269	472,233
Net Cash and Cash Equivalents, end of year	$ 212,573	$ 98,269

Cash includes cash and segregated cash.

See accompanying notes
D.M. Austin, Chartered Accountant

THE KIWANIS FOUNDATION OF CANADA INCORPORATED

Notes to the Financial Statements

September 30, 2013

1. ***STATUS AND NATURE OF ACTIVITIES***

The Kiwanis Foundation of Canada Incorporated is a non-profit charitable foundation organized to provide:

-financial support and promotion for sponsored youth programs.

-district level training and education,

-bursary program for high school graduates pursuing post-secondary studies,

-assistance to the handicapped and the disadvantaged, and

-funds for disaster relief and special causes

The Foundation has committed $500,000 to the Eliminate Program on a matching basis with Kiwanis Clubs. The Kiwanis Foundation of Canada will donate $1 (one) for every $3 (three) donated by Kiwanis Clubs or their members.

2. ***Summary of Significant Accounting Policies***

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant that are in addition to that note:

(a) *Marketable Securities*

Marketable securities are valued at the lower of cost and market value.

(b) *Investments*

The long term investments are recorded at cost with interest accrued to the financial statement date.

(c) *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 received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted income is recognized as revenue when earned.

(d) *Measurement Uncertainty*

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organization requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from management's best estimates as additional information becomes available. Differences are expected to be not material.

(e) *Contributed Services*

The work of the Foundation is dependent on the voluntary service of many members. Since these *services are not normally purchased by the Foundation and while these services benefit the corporation, a reasonable estimate of their amount and fair value cannot be made and, accordingly, these contributed services are not recognized in the financial statements.*

(f) *Financial Instruments*

All assets and liabilities, with the exception of prepaid expenses, are financial instruments and are initially recorded at fair market value and are subsequently recorded at amortized cost.

(g) *Income tax*

The corporation is a not-for-profit charitable foundation and is exempt from income taxes.

3. LONG-TERM INVESTMENTS

	2013	2012
Long-term investments (See note 5)	$ 2,392,383	$ 2,687,079

Market value as at September 30, 2013 was $2,838,201. (2012 - $ 2,681,019).

4.RESTRICTION ON NET ASSETS

During the year, the Board of Directors internally restricted $32,147, (2012 6,420)of unrestricted net assets to be held for scholarship and other special purposes. In 2013, the Board of Directors internally restricted an addiitional $25,000 for the Osborne Scholarship.

The total amount restricted net assets are $826,675, (2012 - $796,900).

These internally restricted amounts are not available for other purposes without approval of the Board of Directors, subject to the conditions of the individual fund.

5. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities, are measured at fair value through the statement of general operations or fund operations, and transaction costs expensed when incurred. Subsequently, the entity measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include accounts receivable, interest receivable and investments. Financial liabilities include accounts payable and accrued charges.

Financial liabilities measured at amortized cost include bank indebtedness and accounts payable.

The entity has not designated any financial asset or liability to be measured at fair value.

The Organization had no comprehensive income or loss transactions during the periods that have been presented. Accordingly a statement of comprehensive income has not been presented.

THE KIWANIS FOUNDATION OF CANADA INCORPORATED

Notes to the Financial Statements

September 30, 2013

6. *RISK MANAGEMENT*

The Foundation may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Foundation's risk management processes is to minimize any adverse effects on financial performance. The principal risks to which the Foundation is exposed are described below.

General Objective, Policies and Processes:

The Board and management are responsible for determination of the Foundation's risk management objectives and policies and designing operating processes that ensure the effective implementation of the objectives and policies. In general, the Foundation measures and monitors risk through the preparation and review of monthly reports by management. The main objectives of the Organization's risk management processes are to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The Organization may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The principal risks to which the Organization is exposed to are described below.

Credit Risk

Financial instruments potentially exposed to credit risk include cash, accounts receivable and investments. Management considers its exposure to credit risk over cash and cash equivalents to be remote as the Foundation holds cash deposits at major Canadian Chartered banks and investment brokers. Accounts receivable are not concentrated and the carrying amount of accounts receivable represents the maximum credit risk exposure.

The organization may, from time to time, invest in debt obligations and commercial paper of governments and corporations. Such investments are limited to those issuers carrying an investment grade credit rating. In addition, the organization limits an amount which is invested in issuers of any one government or corporation. Management has assessed it's credit risk as not material and is unchanged from the prior year.

Market Risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Organization is exposed to these risks as the ability of the Organization to fund its programs is related to the market price of certain minerals. Management has assessed it's market risk as not material and is unchanged from the prior year.

Interest rate risk

The Organization has cash balances and various investments. The Organization's current policy is to deposit excess cash in interest bearing accounts at its banking institutions. Management has assessed its exposure to significant interest rate risk arising from fluctuations in interest rates as not material and is unchanged from the prior year.

Liquidity Risk

Liquidity risk is the risk the Foundation will not be able to meet its financial obligations as they come due. The Foundation has taken steps to ensure that it will have sufficient working capital available to meet its obligations. They have assessed their liquidity risk as not material and is unchanged from the prior year.

THE KIWANIS FOUNDATION OF CANADA

INCORPORATED

Notes to the Financial Statements

September 30, 2013

7. CAPITAL MANAGEMENT

The Foundation considers its capital to be its fund balance. The Foundation is not required to comply with any externally imposed capital requirements.

The Foundation manages capital to safeguard the organization's ability to operate and to meet its financial obligations as they become due. The Board has established an investment policy that requires an investment ratio of sixty percent equity vehicles and forty percent bonds.

8. ADOPTION OF ACCOUNTING STANDARDS FOR NOT FOR PROFIT ORGANIZATIONS

Effective October 1, 2011, the Corporation adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting, electing to adopt the new accounting framework: Canadian Accounting Standards for Non-Profit Enterprises (ASNPO). These are the Corporations' first financial statements prepared in accordance with ASNPO and the transitional provisions of Section 1500, First-time Adoption have been applied. Section 1500 requires retrospective application of the accounting standards with certain elective exemptions and limited retrospective exceptions. The accounting policies set out in the significant accounting policy note have been applied in preparing the financial statements for the year ended September 30, 2013, the comparative information for the year ended September 30, 2012 and the opening ASNPO balance sheet at October 1, 2011 (the Corporation's date of transition).

The Corporation issued financial statements for the year ended October 30, 2012 using generally accepted accounting principles prescribed by CICA Handbook - Accounting XFI (Accounting XFI). The adoption of ASNPO results in adjustments to the previously reported assets, liabilities, equity, net income and cash flows of the Company, however, there were no adjustments to any accounts in this corporation as a result of conversion to ASNPO from XFI.

Section 1501 provides corporations with certain exemptions to the principal that an corporation's opening statement of financial position shall comply with Part III.

The corporation has elected to use the following exemptions upon adoption of Part III:

* *Not retrospectively apply 1501.12, Business Combinations for business acquisitions prior to the date of transition. Accordingly, there is no adjustment to the assets or liabilities acquired in a previous combination except for those that do not qualify as an asset or liability under account standards for not-for-profit organizations. Applying this elective exemption has resulted in no change to assets and liabilities at the date of transition.*

* *Not retrospectively apply Section 1501.202-.21, Financial Instruments, which allows the Organization to measure any financial instrument at fair value at the date of transition. Applying this elective exemption has resulted in no change to assets, liabilities and equity accounts at the date of transition.*

* *Not retrospectively apply Section 1501-.20-.21, Financial Instruments Accordingly, there is no adjustment to the assets or liabilities recognized in a previous transactions involving a non-derivative financial instrument that does not exist at the date of transition. Applying this elective exemption has resulted in no change to assets, liabilities and equity accounts at the date of transition.*

THE KIWANIS FOUNDATION OF CANADA INCORPORATED

Notes to the Financial Statements

September 30, 2013

* *Not retrospectively apply Section 1501.13, First-time Adoption which allows the corporation to measure any item of property, plant and equipment at the date of transition to accounting standard for private enterprises at its fair value and use that fair value as the deemed cost at that date. Applying this elective exemption has resulted in no change to assets, liabilities and equity accounts at the date of transition.*

* *Not retrospective apply Section 1501.22,Asset Retirement obligations, which measures the obligation at the date of transition to accounting standards for not-for-profit corporations and estimates the amount that shall be included in the carrying amount of the related asset based on the original and the remaining life of the assets. Applying this elective exemption has resulted in no change to assets, liabilities and equity accounts at the date of transition.*

*The effect on the **opening statement of financial position as at** May 1, 2011 (date of transition) of adopting Part III retrospectively is as follows:*

	Accounting CGAAP October 1, 2011		***Part III October 1, 2011***
Assets			
Cash	472,233	-	472,233
HST Receivable	4,952	-	4,952
Inventory	5,027	-	5,027
Total Current Assets	482,212	-	482,212
Long term Investments	2,647,113	-	2,647,113
Total Assets	3,129,325	-	3,129,325
Liabilities			
Current Liabilities			
Accounts Payable and accrued liabilities	7,778	-	7,778
Total Current Liabilities	7,778	-	7,778
Net Assets	3,121,547	-	3,121,547
Fund Balances			
Net assets restricted for Scholarships	620,000	-	620,000
Net assets restricted for Bagnell Award	6,054	-	6,054
Net assets restricted for Natural Disaster Relief	100,000	-	100,000
Net assets restricted for Youth	56,679	-	56,679
Net assets restricted for Summerland	35,444	-	35,444
unrestricted net assets	2,303,370	-	2,303,370
	3,121,547	-	3,121,547