

**LIONS FOUNDATION OF CANADA/
FONDATION DES LIONS DU CANADA**

CONSOLIDATED FINANCIAL STATEMENTS

AS AT JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Members
Lions Foundation of Canada/Fondation des Lions du Canada

We have audited the accompanying consolidated financial statements of Lions Foundation of Canada/Fondation des Lions du Canada which comprise the consolidated statement of financial position as at June 30, 2018, and the consolidated statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

Basis for Qualified Opinion

In common with many charitable organizations, Lions Foundation of Canada/Fondation des Lions du Canada derived revenue from donations, fundraising, and other income, the completeness of which are not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Lions Foundation of Canada/Fondation des Lions du Canada. Consequently, we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenditures, cash flows from operations, current assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis of Qualified Opinion the consolidated financial statements present fairly, in all material respects, the financial position of Lions Foundation of Canada/Fondation des Lions du Canada as at June 30, 2018 and of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Glenn Graydon Wright LLP

Chartered Accountants
Licensed Public Accountants
Oakville, Ontario
October 19, 2018

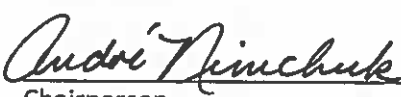
LIONS FOUNDATION OF CANADA/FONDATION DES LIONS DU CANADA

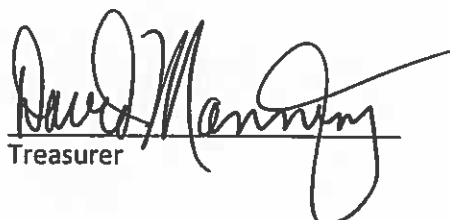
Consolidated statement of financial position

As at June 30, 2018

	General fund	Restricted		Total 2018	Total 2017
		Dog Guide Endowment fund	Stevenson Fellowship fund		
Assets					
Current assets					
Cash and cash equivalents	\$ 534,999	-	9,147	544,146	830,271
Accounts receivable	59,086	-	-	59,086	37,169
Interfund receivables	2,603,587	-	-	2,603,587	1,891,252
Inventory	30,107	-	-	30,107	52,480
Prepaid expenses	26,017	-	-	26,017	24,490
	3,253,796	-	9,147	3,262,943	2,835,662
Property, plant and equipment (Note 4)	5,072,217	-	-	5,072,217	5,157,669
Long-term assets					
Investments (Note 5)	6,485,489	6,666,073	3,884,379	17,035,941	14,337,000
	\$ 14,811,502	6,666,073	3,893,526	25,371,101	22,330,331
Liabilities and net assets					
Current liabilities					
Accounts payable and accrued liabilities	\$ 398,838	32,715	18,606	450,159	465,612
Interfund payables	-	1,874,739	728,848	2,603,587	1,891,252
	398,838	1,907,454	747,454	3,053,746	2,356,864
Net assets					
Invested in property, plant and equipment	5,072,217	-	-	5,072,217	5,157,669
Externally restricted	-	4,758,619	3,146,072	7,904,691	7,796,804
Unrestricted	9,340,447	-	-	9,340,447	7,018,994
	14,412,664	4,758,619	3,146,072	22,317,355	19,973,467
	\$ 14,811,502	6,666,073	3,893,526	25,371,101	22,330,331

Approved by the Board


 Chairperson


 Treasurer



LIONS FOUNDATION OF CANADA/FONDATION DES LIONS DU CANADA

Consolidated statement of net assets

For the year ended June 30, 2018

		General fund	Restricted		Total 2018	Total 2017
			Dog Guide Endowment fund	Stevenson Fellowship fund		
Net assets, beginning of year	\$	12,176,663	4,758,519	3,038,285	19,973,467	18,444,240
Excess of revenue over expenditure for year		2,336,197	(63,841)	71,532	2,343,888	1,529,227
Interfund transfers (Note 8)		(100,196)	63,941	36,255	-	-
Net assets, end of year	\$	14,412,664	4,758,619	3,146,072	22,317,355	19,973,467



LIONS FOUNDATION OF CANADA/FONDATION DES LIONS DU CANADA

Consolidated statement of operations

For the year ended June 30, 2018

	General fund	Restricted		Total 2018	Total 2017
		Dog Guide Endowment fund	Stevenson Fellowship fund		
Revenue					
Donations (Schedule 1)	\$ 4,269,854	100	115,292	4,385,246	2,861,579
Life memberships	31,602	-	-	31,602	42,650
Fellowship	9,250	-	-	9,250	14,597
Grants	351,707	-	-	351,707	195,537
Investment income (Note 6)	1,227,180	-	-	1,227,180	1,565,151
Other income	101,589	-	-	101,589	95,735
Fundraisers (Schedule 1)	1,477,076	-	-	1,477,076	1,670,266
Gift shop (Schedule 1)	18,571	-	-	18,571	16,975
	7,486,829	100	115,292	7,602,221	6,462,490
Expenditure					
Administration	429,298	-	-	429,298	387,727
Amortization	271,856	-	-	271,856	266,740
Fundraising	481,259	-	-	481,259	454,062
General	293,146	63,941	43,760	400,847	410,522
Marketing	272,132	-	-	272,132	237,128
Program costs					
Assessment and follow-up	106,344	-	-	106,344	109,285
General	73,216	-	-	73,216	50,896
Salaries and benefits	2,191,140	-	-	2,191,140	2,026,153
Student	244,909	-	-	244,909	243,111
Veterinary	341,027	-	-	341,027	280,467
Property	446,305	-	-	446,305	467,172
	5,150,632	63,941	43,760	5,258,333	4,933,263
Excess of revenue over expenditure for year	\$ 2,336,197	(63,841)	71,532	2,343,888	1,529,227



LIONS FOUNDATION OF CANADA/FONDATION DES LIONS DU CANADA

Consolidated statement of cash flows

For the year ended June 30, 2018

	2018	2017
Cash flows from (used in) operating activities		
Excess of revenue over expenditure for year		
General fund	\$ 2,336,197	1,536,445
Dog Guide Endowment fund	(63,841)	(71,078)
Stevenson Fellowship fund	71,532	63,860
Adjustment for		
Amortization of property, plant and equipment	271,856	266,740
	2,615,744	1,795,967
Changes in non-cash working capital		
Increase in accounts receivable	(21,917)	(6,864)
Decrease (increase) in inventory	22,373	(6,710)
Increase in prepaid expenses	(1,527)	(125)
(Decrease) increase in accounts payable and accrued liabilities	(15,453)	37,316
Cash flows from operating activities	2,599,220	1,819,584
Cash flows from (used in) investing activities		
Acquisition of property, plant and equipment	(186,404)	(87,722)
Increase in long-term investments	(2,698,941)	(1,563,262)
Cash flows used in investing activities	(2,885,345)	(1,650,984)
Net (decrease) increase in cash and cash equivalents during year	(286,125)	168,600
Cash and cash equivalents, beginning of year	830,271	661,671
Cash and cash equivalents, end of year	\$ 544,146	830,271
Cash and cash equivalents are comprised of		
General fund	\$ 534,999	818,268
Stevenson Fellowship fund	9,147	12,003
	\$ 544,146	830,271



LIONS FOUNDATION OF CANADA/FONDATION DES LIONS DU CANADA**Notes to consolidated financial statements****As at June 30, 2018**

1. Purpose of the organization

Lions Foundation of Canada/Fondation des Lions du Canada ("the Foundation") was incorporated without share capital under the Corporation Act as a not-for-profit organization on August 1, 1983 and acts exclusively as a national organization operating dog guide schools for Canadians with visual, hearing and medical or physical disabilities.

2. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant policies where alternatives are available:

a) Principles of consolidation

These consolidated financial statements include the accounts of Lions Foundation of Canada and Dog Guides Canada. Lions Foundation of Canada has a common board of directors and effectively controls both organizations. All material inter-organization transactions have been eliminated.

b) Management estimates

The preparation of the consolidated 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

c) Basis of accounting

The Foundation follows the restricted fund method of accounting for contributions.

d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of bank overdrafts and highly liquid temporary money market instruments with original maturities of three months or less.

e) Inventory

Inventory is valued at the lower of cost and net realizable value.



LIONS FOUNDATION OF CANADA/FONDATION DES LIONS DU CANADA

Notes to consolidated financial statements

As at June 30, 2018

2. Significant accounting policies - continued

f) Property, plant and equipment

Purchased property, plant and equipment are recorded at acquisition cost. Contributed property, plant and equipment are recorded at their fair value at the date of contribution. Amortization is recorded in the accounts at rates intended to write off the cost of the assets over their estimated useful life.

Methods and rates used are:

Building 5% diminishing balance basis	Vehicles 30% diminishing balance basis
Furniture and fixtures 20% diminishing balance basis	Computer equipment 45% diminishing balance basis
Veterinary clinic equipment 20% diminishing balance basis	Computer software 50% diminishing balance basis

g) Fund accounting

For financial statement reporting purposes, the accounts have been classified into the following funds:

(i) General fund

The General fund accounts for the Foundation's program delivery and administrative activities. The General fund reports unrestricted resources.

(ii) Stevenson Fellowship fund

The Stevenson Fellowship fund reports restricted resources donated for special recognition awards. Investment income earned on resources of the Stevenson Fellowship fund is for the benefit of the General fund. It is the Foundation's policy to transfer from the General fund back to the Stevenson Fellowship fund an amount equal to annual investment management fees.

(i) Dog Guide Endowment fund

Dog Guide Endowment fund has been established to provide for future service to Canadians with visual, hearing and medical or physical disabilities in the areas of safety, mobility and independence. Investment income earned on the resources of the fund is for the benefit of the General fund. It is the Foundation's policy to transfer from the General fund back to the Dog Guide Endowment fund an amount equal to annual investment management fees.



LIONS FOUNDATION OF CANADA/FONDATION DES LIONS DU CANADA

Notes to consolidated financial statements

As at June 30, 2018

2. Significant accounting policies - continued

h) Revenue recognition

Donations, life memberships, fellowship, grant revenue and other income are recognized in the respective fund in the year it is received.

Fundraising and event revenue is recognized when the corresponding event takes place.

Investment income is recognized in the General fund in the year in which it is earned. This includes both realized and unrealized investment gains and losses.

i) Contributed materials and services

The value of contributed materials and services is not reflected in these consolidated financial statements. The value of volunteer time is not reflected in these consolidated financial statements.

j) Gifts-in-kind

Gifts-in-kind are recorded at fair market value when received.

3. Financial instruments

a) Fair value

The Foundation initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The entity subsequently measures all its financial assets and financial liabilities at cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value.

b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in underlying market factors. The organization is exposed to other price risk.

(i) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation is exposed to other price risk through its investments in securities traded in active markets.



LIONS FOUNDATION OF CANADA/FONDATION DES LIONS DU CANADA

Notes to consolidated financial statements

As at June 30, 2018

3. Financial instruments - continued

c) Liquidity risk

Liquidity risk is the risk that the Foundation cannot meet a demand for cash or fund its obligations as they come due. Unless otherwise noted, the Foundation is not subject to significant liquidity risk. The Foundation manages liquidity risk by:

- maintaining access to a number of sources of funding which are sufficient to meet anticipated funding requirements.
- holding financial assets for which there is not a liquid market, but which are expected to generate cash inflows that will be available to meet cash outflows on liabilities.

4. Property, plant and equipment

	2018			2017
	Cost	Accumulated amortization	Net	Net
Land	\$ 1,109,490	-	1,109,490	1,109,490
Building	8,769,977	5,071,110	3,698,867	3,839,553
Furniture and fixtures	543,510	460,797	82,713	100,247
Veterinary clinic equipment	152,644	104,655	47,989	22,854
Vehicles	407,398	297,511	109,887	62,709
Computer equipment	235,694	219,631	16,063	17,346
Computer software	39,698	32,490	7,208	5,470
	<u>\$ 11,258,411</u>	<u>6,186,194</u>	<u>5,072,217</u>	<u>5,157,669</u>

Amortization recorded during the year amounted to \$271,856.

During the year, property, plant and equipment were acquired for cash at an aggregate cost of \$186,404.

5. Long-term investments

The investment in the Oakville Community Foundation represents an endowment and entitles the organization to share in investment income from pooled funds, along with other agencies. In the event that the organization ceases to exist, the Lions Foundation of Canada/Fondation des Lions du Canada (or its successor) will act as a replacement successor to the organization for purposes of this investment (Note 8).

6. Investment income

The General fund investment income includes \$297,824 earned in the Stevenson Fellowship fund and \$525,346 earned in the Dog Guide Endowment fund in accordance with the original terms of the respective funds. The income earned in each of these funds is unrestricted and is for the benefit of the General fund. As such, this investment income, both realized and unrealized, is recognized in the General fund.



LIONS FOUNDATION OF CANADA/FONDATION DES LIONS DU CANADA

Notes to consolidated financial statements

As at June 30, 2018

7. Operating lease commitments

Future minimum rental payments required under operating leases that have initial or remaining terms in excess of one year are:

2019	\$	7,926
2020		7,926
2021		7,926
2022		7,926
2023		6,837
Thereafter		<u>2,310</u>
	\$	<u>40,851</u>

8. Transfers between funds

Transfers represent reallocations within the funds of the Foundation.

Transfers to and from the General and Restricted funds are determined at the Board of Directors' discretion.

9. Income tax status

The Foundation is a registered charity and is therefore exempt from income taxes under Section 149(1)(f) of the Income Tax Act.

10. Comparative figures

Certain figures in the 2017 consolidated financial statements have been reclassified to conform with the basis of presentation in 2018.



LIONS FOUNDATION OF CANADA/FONDATION DES LIONS DU CANADA

Consolidated schedule of General fund donations, events and gift shop

For the year ended June 30, 2018

	2018	2017
Donations		
Bequests	\$ 1,415,418	579,127
Corporations and organizations	348,860	212,348
Gifts-in-kind	22,110	32,260
Individuals	559,553	456,317
In memoriam	60,962	42,220
Lions and Lioness sponsorships	789,432	580,230
Lioness clubs	9,276	19,562
Lions clubs	307,369	252,991
Other sponsorships	756,874	576,167
	\$ 4,269,854	2,751,222
Fundraisers		
Dog Bowl	\$ 4,100	4,000
Hockey draw	79,969	57,235
Local	25,047	25,434
Memorial Forest	22,850	23,100
Nevada, Kitchener	14,518	8,441
Oakville bingo	18,989	8,548
Pet memorial wall	600	1,500
Project Pride	33,999	44,565
Ride for Dog Guides	20,584	15,063
Walk for Dog Guides	1,256,420	1,482,380
	\$ 1,477,076	1,670,266
Gift shop		
Sales	\$ 57,241	56,905
Cost of sales	(38,670)	(39,930)
Net earnings	\$ 18,571	16,975

