

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

CONSOLIDATED FINANCIAL STATEMENTS

AS AT JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

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

Qualified Opinion

We have audited the 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, 2019, and the consolidated statements of changes in net assets, operations, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the organization as at June 30, 2019, 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.

Basis for Qualified Opinion

In common with many charitable organizations, Lions Foundation of Canada/Fondation des Lions due 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 due 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.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 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.

In preparing the consolidated financial statements, management is responsible for assessing the organization'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 organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.



INDEPENDENT AUDITORS' REPORT, continued

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 organization'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 organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

Glenn Graydon Wright LLP

Chartered Professional Accountants
Licensed Public Accountants
Oakville, Ontario
October 18, 2019


LIONS FOUNDATION OF CANADA/FONDATION DES LIONS DU CANADA

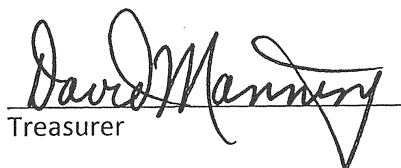
Consolidated statement of financial position

As at June 30, 2019

		Restricted			
	General fund	Dog Guide Endowment fund	Stevenson Fellowship fund	Total 2019	Total 2018
Assets					
Current assets					
Cash and cash equivalents	\$ 820,383	-	6,704	827,087	544,146
Short-term investments (Note 4)	1,100,000	-	-	1,100,000	-
Accounts receivable	40,482	-	-	40,482	59,086
Interfund receivables	2,863,492	-	-	2,863,492	2,603,587
Inventory	32,515	-	-	32,515	30,107
Prepaid expenses	35,799	-	-	35,799	26,017
	4,892,671	-	6,704	4,899,375	3,262,943
Property, plant and equipment (Note 5)					
	4,941,958	-	-	4,941,958	5,072,217
Long-term assets					
Investments (Note 6)	6,498,448	7,106,077	3,830,227	17,434,752	17,035,941
	\$ 16,333,077	7,106,077	3,836,931	27,276,085	25,371,101
Liabilities and net assets					
Current liabilities					
Accounts payable and accrued liabilities	\$ 416,188	33,431	17,590	467,209	450,159
Interfund payables	-	2,303,527	559,965	2,863,492	2,603,587
	416,188	2,336,958	577,555	3,330,701	3,053,746
Net assets					
Invested in property, plant and equipment	4,941,958	-	-	4,941,958	5,072,217
Internally restricted	-	4,090,881	-	4,090,881	4,090,881
Externally restricted	-	678,238	3,259,376	3,937,614	3,813,810
Unrestricted	10,974,931	-	-	10,974,931	9,340,447
	15,916,889	4,769,119	3,259,376	23,945,384	22,317,355
	\$ 16,333,077	7,106,077	3,836,931	27,276,085	25,371,101

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, 2019

		General fund	Restricted		Total 2019	Total 2018
			Dog Guide Endowment fund	Stevenson Fellowship fund		
Net assets, beginning of year	\$	14,412,664	4,758,619	3,146,072	22,317,355	19,973,467
Excess of revenue over expenditure for year		843,073	439,787	345,169	1,628,029	2,343,888
Interfund transfers (Note 8)		661,152	(429,287)	(231,865)	-	-
Net assets, end of year	\$	15,916,889	4,769,119	3,259,376	23,945,384	22,317,355



LIONS FOUNDATION OF CANADA/FONDATION DES LIONS DU CANADA

Consolidated statement of operations

For the year ended June 30, 2019

		General fund	Restricted		Total 2019	Total 2018
			Dog Guide Endowment fund	Stevenson Fellowship fund		
Revenue						
Donations (Schedule 1)	\$	3,721,715	10,500	119,134	3,851,349	4,385,246
Life memberships		31,244	-	-	31,244	31,602
Fellowship		13,403	-	-	13,403	9,250
Grants		231,345	-	-	231,345	351,707
Investment income		471,467	495,778	267,292	1,234,537	1,227,180
Other income		109,582	-	-	109,582	101,589
Fundraisers (Schedule 1)		1,622,230	-	-	1,622,230	1,477,076
Gift shop (Schedule 1)		17,549	-	-	17,549	18,571
		6,218,535	506,278	386,426	7,111,239	7,602,221
Expenditure						
Administration		461,345	-	-	461,345	429,298
Amortization		259,202	-	-	259,202	271,856
Fundraising		491,295	-	-	491,295	481,259
General		387,975	66,491	41,257	495,723	400,847
Marketing		268,831	-	-	268,831	272,132
Program costs						
Assessment and follow-up		139,536	-	-	139,536	106,344
General		56,872	-	-	56,872	73,216
Salaries and benefits		2,354,135	-	-	2,354,135	2,191,140
Student		237,758	-	-	237,758	244,909
Veterinary		313,333	-	-	313,333	341,027
Property		405,180	-	-	405,180	446,305
		5,375,462	66,491	41,257	5,483,210	5,258,333
Excess of revenue over expenditure for year	\$	843,073	439,787	345,169	1,628,029	2,343,888



LIONS FOUNDATION OF CANADA/FONDATION DES LIONS DU CANADA

Consolidated statement of cash flows

For the year ended June 30, 2019

	2019	2018
Cash flows from (used in) operating activities		
Excess of revenue over expenditure for year		
General fund	\$ 843,073	2,336,197
Dog Guide Endowment fund	439,787	(63,841)
Stevenson Fellowship fund	345,169	71,532
Adjustment for		
Amortization of property, plant and equipment	259,202	271,856
	1,887,231	2,615,744
Changes in non-cash working capital		
Increase in short-term investments	(1,100,000)	-
Decrease (increase) in accounts receivable	18,604	(21,917)
(Increase) decrease in inventory	(2,408)	22,373
Increase in prepaid expenses	(9,782)	(1,527)
Increase (decrease) in accounts payable and accrued liabilities	17,050	(15,453)
Cash flows from operating activities	810,695	2,599,220
Cash flows from (used in) investing activities		
Acquisition of property, plant and equipment	(128,943)	(186,404)
Increase in long-term investments	(398,811)	(2,698,941)
Cash flows used in investing activities	(527,754)	(2,885,345)
Net increase (decrease) in cash and cash equivalents during year	282,941	(286,125)
Cash and cash equivalents, beginning of year	544,146	830,271
Cash and cash equivalents, end of year	\$ 827,087	544,146
Cash and cash equivalents are comprised of		
General fund	\$ 820,383	534,999
Stevenson Fellowship fund	6,704	9,147
	\$ 827,087	544,146



LIONS FOUNDATION OF CANADA/FONDATION DES LIONS DU CANADA

Notes to consolidated financial statements

As at June 30, 2019

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.

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, 2019

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, 2019

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, 2019

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. Short-term investments

Short-term investments include highly liquid temporary money market instruments with original maturities of three months or less.

5. Property, plant and equipment

		2019		2018
	Cost	Accumulated amortization	Net	Net
Land	\$ 1,184,960	-	1,184,960	1,109,490
Building	8,784,684	5,256,679	3,528,005	3,698,867
Furniture and fixtures	543,510	477,340	66,170	82,713
Veterinary clinic equipment	157,809	114,339	43,470	47,989
Vehicles	432,333	331,100	101,233	109,887
Computer equipment	239,231	227,279	11,952	16,063
Computer software	44,827	38,659	6,168	7,208
	<u>\$ 11,387,354</u>	<u>6,445,396</u>	<u>4,941,958</u>	<u>5,072,217</u>

Amortization recorded during the year amounted to \$259,202.

During the year, property, plant and equipment were acquired for cash at an aggregate cost of \$128,943.

6. 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.



LIONS FOUNDATION OF CANADA/FONDATION DES LIONS DU CANADA

Notes to consolidated financial statements

As at June 30, 2019

7. Operating lease commitments

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

2020	\$	88,727
2021		88,727
2022		88,727
2023		6,837
Thereafter		<u>2,311</u>
	\$	<u>275,329</u>

8. Transfers between funds

Transfers represent reallocations within the funds of the Foundation.

The Dog Guide Endowment fund investment income includes \$411,910 from internally restricted capital and \$83,868 from externally restricted capital which is in accordance with the original terms of the funding agreements. The income earned on these funds is restricted and is for the benefit of the General fund. As such, this investment income, both realized and unrealized, is transferred between these funds.

The Stevenson Fellowship fund investment income earned on externally restricted capital is in accordance with the original terms of the funding agreement. The income earned in this fund is restricted and is for the benefit of the General fund. As such, this investment income, both realized and unrealized, is transferred between these funds.

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 2018 consolidated financial statements have been reclassified to conform with the basis of presentation used in 2019.

11. Subsequent event

Subsequent to the year end, the Foundation purchased land in the amount of \$6,472,420.



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, 2019

	2019	2018
Donations		
Bequests	\$ 983,816	1,415,418
Corporations and organizations	214,529	348,860
Gifts-in-kind	23,655	22,110
Individuals	527,192	559,553
In memoriam	67,857	60,962
Lions and Lioness sponsorships	725,186	789,432
Lioness clubs	15,053	9,276
Lions clubs	296,556	307,369
Other sponsorships	867,871	756,874
	\$ 3,721,715	4,269,854
Fundraisers		
Dog Bowl	\$ 12,818	4,100
Hockey draw	61,812	79,969
Local	87,930	25,047
Memorial Forest	26,080	22,850
Nevada, Kitchener	8,424	14,518
Oakville bingo	18,745	18,989
Pet memorial wall	900	600
Project Pride	36,529	33,999
Ride for Dog Guides	40,432	20,584
Walk for Dog Guides	1,328,560	1,256,420
	\$ 1,622,230	1,477,076
Gift shop		
Sales	\$ 53,866	57,241
Cost of sales	(36,317)	(38,670)
Net earnings	\$ 17,549	18,571

