

Financial Statements of

**BOYS AND GIRLS CLUBS
OF CANADA**

Year ended December 31, 2018



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Boys and Girls Clubs of Canada

Opinion

We have audited the financial statements of Boys and Girls Clubs of Canada (the Entity), which comprise:

- the balance sheet as at December 31, 2018
- the statement of revenue, expenses and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, 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 Opinion

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 auditors' report.

We are independent of the Entity 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 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 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 the 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 Entity's internal control.



Page 3

- 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 Entity'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 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 Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

March 29, 2019

BOYS AND GIRLS CLUBS OF CANADA

Balance Sheet

December 31, 2018, with comparative information for 2017


	2018	2017
Assets		
Current assets:		
Cash	\$ 1,590,581	\$ 2,608,011
Investments (note 2)	5,561,637	4,634,375
Grants and other receivables	1,180,538	640,544
Prepaid expenses and other	176,493	111,050
Due from related party (note 3)	90,945	—
	<u>8,600,194</u>	<u>7,993,980</u>
Capital assets (note 4)	164,972	175,818
	<u>\$ 8,765,166</u>	<u>\$ 8,169,798</u>

Liabilities and Fund Balances

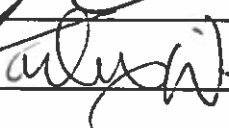
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 2,388,591	\$ 1,390,717
Deferred contributions (note 6)	3,869,796	4,186,520
Due to related party (note 3)	—	298,642
	<u>6,258,387</u>	<u>5,875,879</u>
Deferred leasehold inducement (note 7)	65,708	87,580
Fund balances:		
General Fund	1,274,505	1,143,743
Restricted Funds:		
J.W. McConnell Foundation Trust Fund	94,026	108,026
Scholarship Fund	1,072,540	954,570
	<u>2,441,071</u>	<u>2,206,339</u>
Commitments (note 11)		
Guarantees (note 12)		
	<u>\$ 8,765,166</u>	<u>\$ 8,169,798</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

BOYS AND GIRLS CLUBS OF CANADA

Statement of Revenue, Expenses and Changes in Fund Balances

Year ended December 31, 2018, with comparative information for 2017

	Restricted Funds				2018	2017
	General Fund	J.W. McConnell Foundation Trust Fund	Scholarship Fund	Total		
Revenue:						
Donations	\$ 8,590,252	\$ -	\$ 2,15,000	\$ 8,805,252	\$ 8,630,007	
Special events	218,847	-	-	218,847	12,500	
Government	4,638,486	-	-	4,638,486	2,159,034	
Member, service and event fees (note 10)	605,762	-	-	605,762	557,942	
Managed services	17,496	-	-	17,496	59,266	
Investment income and miscellaneous	112,925	-	25,390	138,315	114,542	
Boys and Girls Clubs of Canada Foundation	208,928	90,000	6,000	304,928	518,136	
	14,392,696	90,000	246,390	14,729,086	12,051,427	
Expenses:						
Support to Clubs, programs and services	2,548,138	-	-	2,548,138	2,533,471	
Grants for specific activities	6,065,053	104,000	-	6,169,053	5,232,288	
National programs	4,229,315	-	-	4,229,315	2,975,512	
Scholarships	53,850	-	128,420	182,270	180,262	
Governance	155,701	-	-	155,701	143,715	
Amortization of capital assets	13,052,057	104,000	128,420	13,284,477	11,065,248	
Administration	57,096	-	-	57,096	56,013	
Special events (recovery)	1,152,781	-	-	1,152,781	905,182	
	14,261,934	104,000	128,420	14,494,354	12,026,268	
Excess (deficiency) of revenue over expenses	130,762	(14,000)	117,970	234,732	25,159	
Fund balances, beginning of year	1,143,743	108,026	954,570	2,206,339	2,171,224	
Regional net assets received, internally restricted during the year	-	-	-	-	9,956	
Fund balances, end of year	\$ 1,274,505	\$ 94,026	\$ 1,072,540	\$ 2,441,071	\$ 2,206,339	

See accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF CANADA

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash flows provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses:		
General Fund	\$ 130,762	\$ (48,450)
Restricted Funds	103,970	73,609
Amortization which does not involve cash:		
Capital assets	57,096	56,013
Deferred leasehold inducement	(21,872)	(21,782)
Change in non-cash operating working capital:		
Grants and other receivables	(539,994)	597,918
Prepaid expenses and other	(65,443)	1,408
Accounts payable and accrued liabilities	997,874	(11,181)
Deferred contributions	(316,724)	(191,090)
Due to/from related party	(389,587)	298,642
	<u>(43,918)</u>	<u>755,087</u>
Investing activities:		
Purchase of investments	(1,763,965)	(1,576,437)
Proceeds on sales of investments	836,703	3,043,016
Purchase of capital assets	(46,250)	(23,440)
Regional net assets received, internally restricted	—	9,956
	<u>(973,512)</u>	<u>1,453,095</u>
Increase (decrease) in cash	(1,017,430)	2,208,182
Cash, beginning of year	2,608,011	399,829
Cash, end of year	<u>\$ 1,590,581</u>	<u>\$ 2,608,011</u>

See accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF CANADA

Notes to Financial Statements

Year ended December 31, 2018

The Boys and Girls Clubs of Canada (the "Organization") was formed to assist its member organizations to promote the health, social, educational, vocational and character development of boys and girls throughout Canada and to further the formation and assist in the development in Canada of Boys and Girls Clubs (the "Clubs").

Under the Income Tax Act (Canada), the Organization is classified as a registered charity and, accordingly, is not subject to income taxes. The Organization was incorporated on June 11, 1948 as a corporation without share capital under federal jurisdiction. The Organization was previously incorporated under the Canada Corporations Act and was continued under the Canada Not-for-profit Corporations Act in June 2013.

The Organization has a financial interest in the Boys and Girls Clubs of Canada Foundation (the "Foundation"), as it receives a significant portion of funding annually from the Foundation. The Foundation was formed to make gifts, grants, contributions and donations to the Organization.

These financial statements reflect the assets, liabilities and operations of the Organization. They do not include the assets, liabilities and operations of the provincial entities, Clubs or the Foundation, which are incorporated separately.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook.

(a) Fund accounting:

These financial statements are prepared using the restricted fund method of reporting restricted contributions.

The J.W. McConnell Foundation Trust Fund was formed to administer certain funds received from the Foundation. These funds are distributed to the Clubs and national office to offset the cost of special projects and certain administration expenses.

BOYS AND GIRLS CLUBS OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

The Scholarship Fund was formed to administer certain funds from donors related to specific programs. These funds are to be distributed in the form of bursaries or scholarships to youth upon graduation from the program. The amounts held in trust are:

	2018	2017
Best Buy	\$ 359,067	\$ 253,224
Rogers Raising the Grade	675,973	686,346
Fidelity Investments	37,500	15,000
	<u>\$ 1,072,540</u>	<u>\$ 954,570</u>

(b) Revenue recognition:

Restricted donations or grants are recognized as revenue of the appropriate restricted funds. All restricted donations or grants for which no restricted funds have been established are recognized as revenue of the General Fund in the year in which the related expenses are incurred. Unrestricted donations or grants are recognized as revenue of the General Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Deferred capital contribution is amortized over the life of the related capital asset.

Restricted investment income is recognized as revenue of the appropriate fund. Unrestricted investment income is recognized in the General Fund when earned.

Membership and event fees are recognized as revenue of the General Fund when the services are provided.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and subsequently measured at cost or amortized cost.

BOYS AND GIRLS CLUBS OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

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 Organization 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 Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(d) 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 Organization's ability to provide services, its carrying amount is written down to its residual value.

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

Computer equipment and software	3 years
Office furniture and equipment	5 years
Leasehold improvements	Term of lease

(e) Deferred leasehold inducement:

The Organization has a deferred leasehold inducement related to the reimbursement by the lessor of certain expenditures for leasehold improvements that will be amortized over the term of the lease.

(f) Donated materials:

Donated materials are recognized in these financial statements only when fair value can be reasonably estimated and the materials would otherwise be purchased by the Organization.

BOYS AND GIRLS CLUBS OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(g) Allocation of administration expenses:

The Organization classifies certain expenses on the statement of revenue, expenses and changes in fund balances by function. The Organization allocates certain costs by identifying the appropriate basis of allocating and applying that basis consistently each year. The Organization allocates administration expenses to Support to Clubs, national programs and governance proportionately based on the percentage of time spent by active employees per function.

(h) Use of estimates:

The preparation of the 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. Actual results could differ from those estimates.

2. Investments:

The Organization has a business investment account with a balance of \$5,561,637 (2017 - \$3,797,672), bearing interest rate of 1.85% (2017 - 1.10%) per annum. At year end, total investments held by the Organization amounted to \$5,561,637 (2017 - \$4,634,375).

The remaining investments consist of interest-bearing, cashable and non-redeemable guaranteed investment certificates ("GICs"). The GICs as at December 31, 2017 had a fair value of \$836,703, bearing interest rate of 1.48% to 1.56% per annum. All the GICs were matured in November and December 2018 and the proceeds were moved to the business investment account.

BOYS AND GIRLS CLUBS OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2018

3. Related party transactions and balances:

Due from (to) related party includes the net amount of receivable from (payable to) the Foundation.

During the year, the Organization received \$304,928 (2017 - \$518,136) in grants from the Foundation and paid \$84,659 (2017 - \$14,326) of reimbursable expenses on behalf of the Foundation.

Transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

4. Capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment and software	\$ 200,220	\$ 153,600	\$ 46,620	\$ 28,841
Office furniture and equipment	174,049	172,864	1,185	–
Leasehold improvements	466,084	348,917	117,167	146,977
	<u>\$ 840,353</u>	<u>\$ 675,381</u>	<u>\$ 164,972</u>	<u>\$ 175,818</u>

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities as at December 31, 2018 are government remittances payable of \$7,719 (2017 - \$6,475) relating to payroll taxes.

BOYS AND GIRLS CLUBS OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2018

6. Deferred contributions:

Deferred contributions consist of funding provided by various contributors to be spent on designated projects and programs in the coming years.

	2018	2017
Balance, beginning of year	\$ 4,186,520	\$ 4,377,610
Amounts received	8,204,088	9,048,817
Amounts recognized as revenue	(8,520,812)	(9,239,907)
Balance, end of year	\$ 3,869,796	\$ 4,186,520

7. Deferred leasehold inducement:

Deferred lease inducement represents the reimbursement by the lessor of certain expenditures for leasehold improvements made by the Organization as inducements to enter into a long-term lease agreement. During fiscal 2012, the Organization received the benefit of \$218,725 as an inducement under a new lease with its lessor. At December 31, 2018, \$153,017 (2017 - \$131,145) of this inducement has been amortized against rent expense.

8. Internally restricted:

Restrictions to the General Fund have been established by the Board of Directors. These funds have been earmarked to support operations required for the Organization to achieve its strategic priorities in the coming years. Internally restricted funds are not available for other purposes without approval of the Board of Directors.

9. Unrestricted Fund:

Included in the Unrestricted Fund is \$403,222 (2017 - \$468,985) of funds transferred in from the regional offices. These funds hold geographic restrictions in meeting the mandate of the Clubs.

BOYS AND GIRLS CLUBS OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2018

10. Member, service and event fees:

	2018	2017
Fees:		
Member	\$ 392,493	\$ 351,113
National Conference	134,952	–
National Youth Conference	–	52,000
Registration and service fees	78,317	154,829
	<u>\$ 605,762</u>	<u>\$ 557,942</u>

11. Commitments:

The Organization's minimum annual operating lease commitments in each of the next five years are as follows:

2019	\$ 339,600
2020	343,900
2021	347,700
2022	317,400
2023	2,900
	<u>\$ 1,351,500</u>

12. Guarantees:

In the normal course of business, the Organization enters into agreements that meet the definition of a guarantee. The Organization's primary guarantees subject to the disclosure requirements are as follows:

- (a) The Organization has provided an indemnity under the terms of the head office lease, which is standard for such agreements. Under the terms of the agreement, the Organization would be liable to counterparties for a loss associated with the failure to follow the terms and conditions of the lease. No such liability exists at year end in relation to this indemnity.

BOYS AND GIRLS CLUBS OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2018

12. Guarantees (continued):

(b) Indemnity has been provided to all directors and/or officers of the Organization in relation to their activities on behalf of the Organization. The Organization maintains directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. No claim has ever been made, nor do any such claims exist at year end in relation to this indemnity.

13. Risk management:

Investments are primarily exposed to interest rate and market risks. The Organization has formal policies and procedures that address risk mitigation. There has been no change to the risk exposure from 2017.

(a) 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 Organization. The Organization manages this risk by holding guaranteed investment certificates and by staggering the terms of the securities held.

(b) Market risk:

Market risk arises as a result of trading securities. Fluctuations in the market expose the Organization to a risk of loss. The Organization mitigates this risk through investing in guaranteed investment certificates.

14. Allocation of expenses:

The Organization allocates salaries and administration expenses based on the percentage of time spent by active employees per function as follows:

	2018	2017
Support to Clubs	\$ 1,729,101	\$ 1,720,170
National programs	745,957	705,381
Governance	91,677	83,931
Administration	1,112,506	899,559
	<u>\$ 3,679,241</u>	<u>\$ 3,409,041</u>