

Financial Statements of

**BOYS AND GIRLS CLUBS
OF CANADA**

And Independent Auditors' Report thereon

Year ended December 31, 2019



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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, 2019
- the statement of revenue and expenses for the year then ended
- the statement of changes in net assets 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, 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 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.



Emphasis of Matter - Comparative Information

We draw attention to Note 15 to the financial statements ("Note 15"), which explains that certain comparative information presented for the year ended December 31, 2018 has been restated.

Note 15 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter-Comparative Information

As part of our audit of the financial statements for the year ended December 31, 2019, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2018. In our opinion, such adjustments are appropriate and have been properly applied.

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.



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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.
- 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.



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- 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 20, 2020

BOYS AND GIRLS CLUBS OF CANADA

Balance Sheet

December 31, 2019, with comparative information for 2018

	2019	2018 (Restated)
Assets		
Current assets:		
Cash	\$ 678,083	\$ 1,590,581
Investments (note 2)	6,847,444	5,561,637
Grants and other receivables	1,245,561	1,087,475
Prepaid expenses and other	186,084	176,493
Due from related party (note 3)	793,821	184,008
	<u>9,750,993</u>	<u>8,600,194</u>
Capital assets (note 4)	483,926	164,972
	<u>\$ 10,234,919</u>	<u>\$ 8,765,166</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 3,071,482	\$ 2,388,591
Deferred contributions (note 6)	5,566,811	5,036,362
Deferred revenue	9,872	—
	<u>8,648,165</u>	<u>7,424,953</u>
Deferred leasehold inducement (note 7)	63,621	65,708
Net assets:		
Unrestricted	1,523,133	1,274,505
Commitments (note 10)		
Guarantees (note 11)		
	<u>\$ 10,234,919</u>	<u>\$ 8,765,166</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

BOYS AND GIRLS CLUBS OF CANADA

Statement of Revenue and Expenses

Year ended December 31, 2019, with comparative information for 2018

	2019	2018 (Restated)
Revenue:		
Donations	\$ 9,991,479	\$ 8,701,282
Special events	796,639	218,847
Government	4,447,029	4,638,486
Member, service and event fees (note 9)	582,407	605,762
Managed services	1,703	17,496
Investment income and miscellaneous	108,761	138,315
Boys and Girls Clubs of Canada Foundation	596,000	304,928
	<u>16,524,018</u>	<u>14,625,116</u>
Expenses:		
Support to Clubs, programs and services	2,750,862	2,548,138
Grants for specific activities	7,128,260	6,169,053
National programs	4,179,481	4,229,315
Scholarships	165,899	182,270
Governance	164,841	155,701
	<u>14,389,343</u>	<u>13,284,477</u>
Amortization of capital assets	68,837	57,096
Administration	1,469,531	1,152,781
Special events	347,679	–
	<u>16,275,390</u>	<u>14,494,354</u>
Excess of revenue over expenses	<u>\$ 248,628</u>	<u>\$ 130,762</u>

See accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF CANADA

Statement of Changes in Net Assets

Year ended December 31, 2019, with comparative information for 2018

	2019	2018 (Restated)
Balance, beginning of year	\$ 1,274,505	\$ 1,143,743
Excess of revenue over expenses	248,628	130,762
Balance, end of year	\$ 1,523,133	\$ 1,274,505

BOYS AND GIRLS CLUBS OF CANADA

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018 (Restated)
Cash flows provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 248,628	\$ 130,762
Amortization which does not involve cash:		
Capital assets	68,837	57,096
Deferred leasehold inducement	(2,087)	(21,872)
Change in non-cash operating working capital:		
Grants and other receivables	(158,086)	(446,931)
Prepaid expenses and other	(9,591)	(65,443)
Accounts payable and accrued liabilities	682,891	997,874
Deferred contributions	530,449	(212,754)
Deferred revenue	9,872	-
Due from related party	(609,813)	(482,650)
	761,100	(43,918)
Investing activities:		
Purchase of investments	(1,285,807)	(1,763,965)
Proceeds on sales of investments	-	836,703
Purchase of capital assets	(387,791)	(46,250)
	(1,673,598)	(973,512)
Decrease in cash	(912,498)	(1,017,430)
Cash, beginning of year	1,590,581	2,608,011
Cash, end of year	\$ 678,083	\$ 1,590,581

See accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF CANADA

Notes to Financial Statements

Year ended December 31, 2019

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) Revenue recognition:

The Organization follows the deferral method of accounting for contributions which include donations and government grants.

Program grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

BOYS AND GIRLS CLUBS OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

(b) Financial instruments:

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

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.

(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 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

BOYS AND GIRLS CLUBS OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(d) 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.

(e) 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.

(f) Allocation of administration expenses:

The Organization classifies certain expenses on the statement of revenue and expenses 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.

(g) 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 \$6,847,444 (2018 - \$5,561,637), bearing interest rate of 1.45% (2018 - 1.85%) per annum.

BOYS AND GIRLS CLUBS OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2019

3. Related party transactions and balances:

(a) Boys and Girls of Canada Foundation:

Due from related party includes the net amount of receivable from the Foundation of \$638,426 (2018 - \$90,945)

During the year, the Organization received \$356,000 (2018 - \$296,000) in grants from the Foundation and paid \$191,481 (2018 - \$93,587) of reimbursable expenses on behalf of the Foundation.

(b) Boys and Girls Clubs of Alberta:

The Organization is related to Boys and Girls Clubs of Alberta. The Organization provides governance, marketing, resource development and administrative support to achieve the same mission of both Organizations, in order to support its member Boys and Girls Clubs across the province of Alberta.

Due from related party includes the net amount receivable from Boys and Girls Club Alberta of \$155,395 (2018 - \$93,063).

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:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment and software	\$ 370,709	\$ 175,935	\$ 194,774	\$ 46,620
Office furniture and equipment	209,111	175,208	33,903	1,185
Leasehold improvements	648,284	393,035	255,249	117,167
	\$ 1,228,104	\$ 744,178	\$ 483,926	\$ 164,972

BOYS AND GIRLS CLUBS OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2019

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities as at December 31, 2019 are government remittances payable of \$10,730 (2018 - \$7,719) relating to payroll taxes.

6. Deferred contributions:

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

	2019	2018 (Restated)
Balance, beginning of year	\$ 5,036,362	\$ 5,249,116
Amounts received	9,673,012	8,540,478
Amounts recognized as revenue	(9,142,563)	(8,753,232)
Balance, end of year	\$ 5,566,811	\$ 5,036,362

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, 2019, \$174,889 (2018 - \$153,017) of this inducement has been amortized against rent expense. During fiscal 2019, the Organization received the benefit of \$20,350 as an inducement under a new lease amendment with its lessor. At December 31, 2019, \$565 (2018 - nil) of this inducement has been amortized against rent expense.

8. Unrestricted net assets:

Included in the Unrestricted net assets is \$403,222 (2018 - \$403,222) 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, 2019

9. Member, service and event fees:

	2019	2018 (Restated)
Fees:		
Member	\$ 473,706	\$ 455,075
National Conference	—	134,952
National Youth Conference	46,250	—
Other registration	62,451	15,735
	<u>\$ 582,407</u>	<u>\$ 605,762</u>

10. Commitments:

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

2020	\$ 337,600
2021	341,200
2022	311,400
2023	2,900
	<u>\$ 993,100</u>

11. 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, 2019

11. 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.

12. 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 2018.

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.

13. Allocation of expenses:

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

	2019	2018
Support to Clubs	\$ 1,955,570	\$ 1,729,101
National programs	990,629	745,957
Governance	95,320	91,677
Administration	1,394,704	1,112,506
	<u>\$ 4,436,223</u>	<u>\$ 3,679,241</u>

14. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

BOYS AND GIRLS CLUBS OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2019

15. Change in accounting policy:

During the year, the Organization adopted the deferral method of accounting for revenue, as outlined in note 1(a). The impact of this change is recognized as revenue restricted contributions as the expenses are incurred. This change has been applied retroactively to December 31, 2017. Under the previous policy, revenue was recognized when received or receivable if the amount to be received was reasonably estimated and collection was assured.

The change can be qualified as follows:

	Restricted fund method (old method)		Deferral method (new method)	
	2019	2018	2019	2018
Total revenue	\$ –	\$ 14,729,086	\$ 16,524,018	\$ 14,625,116
Excess of revenue over expenses	–	234,732	248,628	130,762
