

Financial Statements of

**BOYS AND GIRLS CLUBS
OF CANADA**

Year ended December 31, 2014



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Boys and Girls Clubs of Canada, which comprise the balance sheet as at December 31, 2014, the statements of revenue, expenses and changes in fund balances and cash flows for the year then ended, and notes, comprising 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 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 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 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Boys and Girls Clubs of Canada as at December 31, 2014, 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.

Chartered Professional Accountants, Licensed Public Accountants

March 26, 2015
Toronto, Canada

BOYS AND GIRLS CLUBS OF CANADA

Balance Sheet

December 31, 2014, with comparative information for 2013

	2014	2013
Assets		
Current assets:		
Cash	\$ 1,920,955	\$ 1,327,328
Investments (note 2)	5,672,071	5,331,959
Grants and other receivables (notes 3 and 4)	459,248	418,418
Prepaid expenses and other	104,914	75,943
	8,157,188	7,153,648
Capital assets (note 5)	334,333	410,972
	\$ 8,491,521	\$ 7,564,620

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (notes 4 and 6)	\$ 890,046	\$ 1,030,939
Deferred contributions (note 7)	5,397,925	4,748,370
	6,287,971	5,779,309
Deferred capital contribution	—	2,654
Deferred leasehold inducement (note 8)	153,107	174,975
Fund balances:		
General Fund:		
Invested in capital assets	181,226	233,343
Internally restricted (note 9)	162,915	308,628
Unrestricted	649,694	465,283
	993,835	1,007,254
Restricted funds:		
J.W. McConnell Foundation Trust Fund	63,523	140,178
Scholarship Fund	993,085	460,250
	1,056,608	600,428
	2,050,443	1,607,682
Commitments (note 12)		
Guarantees (note 13)		
	\$ 8,491,521	\$ 7,564,620

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, 2014, with comparative information for 2013

	2014			2013
	Restricted Funds			
	General Fund	J.W. McConnell Foundation Trust Fund	Scholarship Fund	Total
Revenue:				
Donations (note 10)	\$ 7,064,817	\$ —	\$ 642,000	\$ 7,706,817
Special events	1,061,177	—	—	1,061,177
Government	394,371	—	—	394,371
Member, service, and event fees (note 11)	551,445	—	—	551,445
Managed services	104,575	—	—	104,575
Investment income and miscellaneous	72,496	—	13,585	86,081
Boys and Girls Clubs of Canada Foundation	290,000	90,000	—	380,000
	9,538,881	90,000	655,585	10,284,466
Expenses:				
Support to Clubs, programs and services	2,271,389	8,919	—	2,280,308
Grants for specific activities	4,262,326	157,736	—	4,420,062
National programs	1,485,844	—	—	1,485,844
Scholarships	127,722	—	122,750	250,472
Governance	180,251	—	—	180,251
	8,327,532	166,655	122,750	8,616,937
Amortization of capital assets	92,008	—	—	92,008
Administration	752,067	—	—	752,067
Special events	380,693	—	—	380,693
	9,552,300	166,655	122,750	9,841,705
Excess (deficiency) of revenue over expenses	(13,419)	(76,655)	532,835	442,761
Fund balances, beginning of year	1,007,254	140,178	460,250	1,607,682
Assets transferred (note 16)	—	—	—	—
Fund balances, end of year	\$ 993,835	\$ 63,523	\$ 993,085	\$ 2,050,443

See accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF CANADA

Statement of Cash Flows

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Cash flows provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses:		
General Fund	\$ (13,419)	\$ (292,287)
Restricted Funds	456,180	384,186
Amortization which does not involve cash:		
Deferred capital contribution	(2,654)	(3,365)
Capital assets	92,008	145,346
Deferred leasehold inducement	(21,868)	(21,875)
	510,247	212,005
Change in non-cash operating working capital:		
Grants and other receivables	(40,830)	636,748
Prepaid expenses and other	(28,971)	(5,496)
Accounts payable and accrued liabilities	(140,893)	673,762
Deferred contributions	649,555	2,790,053
Cash portion of net assets transferred (note 16)	—	27,382
	949,108	4,334,454
Investing activities:		
Purchases of investments	(6,841,746)	(6,613,000)
Proceeds on sales of investments	6,501,634	2,996,177
Purchase of capital assets	(15,369)	(88,348)
	(355,481)	(3,705,171)
Increase in cash	593,627	629,283
Cash, beginning of year	1,327,328	698,045
Cash, end of year	\$ 1,920,955	\$ 1,327,328

See accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF CANADA

Notes to Financial Statements

Year ended December 31, 2014

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.

Under the Income Tax Act (Canada), the Organization is classified as a registered charity and, accordingly, is not subject to income taxes, provided certain disbursement requirements are met. 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, 2014

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:

Future Generations	\$ 267,871
Rogers Raising the Grade	725,214

(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, 2014

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 period, 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	Over remaining term of lease
Website	3 years

(e) Deferred lease inducement:

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

BOYS AND GIRLS CLUBS OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2014

1. Significant accounting policies (continued):

(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.

(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:

Investments consist of interest-bearing cashable and non-redeemable guaranteed investment certificates and include the following:

2014			2013		
Fair value	Due	Interest rate	Fair value	Due	Interest rate
\$ 404,584	May 9, 2015	1.20%	\$ 601,483	October 11, 2014	1.10%
405,545	May 14, 2015	1.20%	1,201,230	November 28, 2014	1.10%
725,214	November 11, 2015	1.20%	313,111	December 19, 2014	1.00%
1,850,868	December 16, 2015	1.07%	601,901	October 11, 2014	1.41%
267,871	December 15, 2015	1.07%	801,021	November 28, 2014	1.37%
1,009,090	May 9, 2015	1.40%	604,213	May 13, 2014	1.10%
1,008,899	May 14, 2015	1.40%	604,213	May 13, 2014	1.10%
			604,787	May 13, 2014	1.25%
\$ 5,672,071			\$ 5,331,959		

BOYS AND GIRLS CLUBS OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2014

3. Grants and other receivables:

Grants and other receivables are recorded net of an allowance for doubtful accounts of \$1,582 (2013 - \$102,439).

4. Related party transactions and balances:

Grants and other receivables include an amount of \$68,761 (2013 - \$70,820) due from the Foundation. In 2013, amounts due to the Foundation of \$1,400 was included in accounts payable and accrued liabilities.

During the year, the Organization received \$380,000 (2013 - \$528,000) in grants from the Foundation and paid \$21,866 (2013 - \$20,820) 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.

5. Capital assets:

		2014		2013
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment and software	\$ 101,328	\$ 88,247	\$ 13,081	\$ 2,068
Office furniture and equipment	172,824	152,956	19,868	36,092
Leasehold improvements	458,764	201,554	257,210	293,953
Website	304,458	260,284	44,174	78,859
	\$ 1,037,374	\$ 703,041	\$ 334,333	\$ 410,972

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities as at December 31, 2014 are government remittances payable of \$8,535 (2013 - \$27,015) relating to payroll taxes.

BOYS AND GIRLS CLUBS OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2014

7. Deferred contributions:

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

	2014	2013
Balance, beginning of year	\$ 4,748,370	\$ 1,958,317
Amounts received	7,750,240	9,993,372
Amounts recognized as revenue	(7,100,685)	(7,203,319)
Balance, end of year	\$ 5,397,925	\$ 4,748,370

8. 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, 2014, \$65,618 (2013 - \$43,750) of this inducement has been amortized against rent expense.

9. 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.

10. Donations:

Included in the donations is \$141,358 (2013 - \$360,833) of in-kind contributions.

BOYS AND GIRLS CLUBS OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2014

11. Member, service, and event fees:

	2014	2013
Fees:		
Member	\$ 398,185	\$ 349,670
Other	—	87,237
National Conference	109,896	—
National Youth Conference	—	52,445
Other events	43,364	32,977
	<u>\$ 551,445</u>	<u>\$ 522,329</u>

12. Commitments:

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

2015	\$ 263,800
2016	263,800
2017	263,800
2018	263,800
2019	258,000
Thereafter	732,400
	<u>\$ 2,045,600</u>

13. 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, 2014

13. 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.

14. 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 2013.

(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.

15. Allocation of expenses:

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

	%	2014	%	2013
Support to Clubs	49	\$ 1,539,124	44	\$ 1,385,862
National programs	22	693,354	20	638,803
Governance	3	106,429	3	108,406
Administration	26	804,078	33	1,009,728
		\$ 3,142,985		\$ 3,142,799

BOYS AND GIRLS CLUBS OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2014

16. Net assets transferred:

In 2010, as a result of a membership decision to strengthen its mission in every region, the Organization adopted an integrated governance model and formally integrated its national and regional operations. At that time non-restricted assets from the regions were transferred to the national office. Provincial incorporations continue to be active in Alberta, Ontario and Nova Scotia for the purposes of receiving funding for Boys and Girls Clubs in their respective provinces. During 2014, an application was made to the Guardian of the Public Trustee in Ontario for the dissolution of Boys and Girls Clubs Ontario.

	2014	2013
Unrestricted assets:		
Alberta	\$ —	\$ 1,636
Ontario	—	1,250
Nova Scotia	—	24,496
	\$ —	\$ 27,382