Financial Statements of

BOYS AND GIRLS CLUBS OF CANADA FOUNDATION

Year ended December 31, 2016

KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of Boys and Girls Clubs
of Canada Foundation

We have audited the accompanying financial statements of Boys and Girls Clubs of Canada Foundation, which comprise the balance sheet as at December 31, 2016, the statements of revenue and expenses and changes in fund balances and cash flows for the year the 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 Foundation as at December 31, 2016, 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 19, 2017
Vaughan, Canada

BOYS AND GIRLS CLUBS OF CANADA FOUNDATION

Balance Sheet

December 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash	$ 35,468	$ 21,744
Accounts receivable (note 2)	4,583	4,753
	40,051	26,497
Investments (note 3)	6,461,473	7,121,990
	$ 6,501,524	$ 7,148,487
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities	$ –	$ 11,200
Due to related party (note 2)	33,032	2,961
	33,032	14,161
Fund balances:		
Operating fund	(2,785)	(63,995)
Restricted funds:		
J.W. McConnell Foundation Trust Fund	1,939,319	1,996,825
Endowment Fund	4,315,391	4,966,220
Scholarship Fund	216,567	235,276
	6,468,492	7,134,326
	$ 6,501,524	$ 7,148,487

See accompanying notes to financial statements.

On behalf of the Board of Trustees:

____________________________ Trustee

____________________________ Trustee

BOYS AND GIRLS CLUBS OF CANADA FOUNDATION

Statement of Revenue and Expenses and Changes in Fund Balances

Year ended December 31, 2016, with comparative information for 2015

		Restricted funds			2016	2015
	Operating fund	J.W. McConnell Foundation Trust Fund	Endowment Fund	Scholarship Fund	Total	Total
Revenue:						
Donations	$ 1,313	$ –	$ –	$ –	$ 1,313	$ 18,318
Investment	162	65,260	155,776	7,550	228,748	275,975
	1,475	65,260	155,776	7,550	230,061	294,293
Expenses:						
Professional fees	11,037	–	–	–	11,037	10,697
Administrative	55,560	–	–	–	55,560	55,582
Custodial fees	–	16,439	40,453	1,962	58,854	60,313
Grants						
Allocation to Boys and Girls Clubs of Canada:						
National operations	–	30,000	705,196	–	735,196	397,500
Projects and programs	–	90,000	–	27,400	117,400	–
	66,597	136,439	745,649	29,362	978,047	524,092
Net unrealized gain on investments	–	22,668	56,381	3,103	82,152	352,633
Excess of revenue over expenses (expenses over revenue)	(65,122)	(48,511)	(533,492)	(18,709)	(665,834)	122,834
Inter-fund transfers	126,332	(8,995)	(117,337)	–	–	–
Fund balances, beginning of year	(63,995)	1,996,825	4,966,220	235,276	7,134,326	7,011,492
Fund balances, end of year	$ (2,785)	$ 1,939,319	$ 4,315,391	$ 216,567	$ 6,468,492	$ 7,134,326

See accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF CANADA FOUNDATION

Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses (expenses over revenue):		
Operating fund	$ (65,122)	$ (64,335)
Restricted funds	(600,712)	187,169
Items not involving cash:		
Gain on sale of investments	12,845	(36,462)
Net unrealized gain on investments	(82,152)	(352,633)
Change in non-cash operating working capital:		
Accounts receivable	170	(292)
Accounts payable and accrued liabilities	(11,200)	(4,800)
Due to related party	30,071	(65,800)
	(716,100)	(337,153)
Investing activities:		
Proceeds on sale of investments	912,400	497,500
Purchases of investments	(182,576)	(206,290)
	729,824	291,210
Increase (decrease) in cash	13,724	(45,943)
Cash, beginning of year	21,744	67,687
Cash, end of year	$ 35,468	$ 21,744

See accompanying notes to financial statements.

Boys and Girls Clubs of Canada Foundation (the "Foundation") provides financial support to Boys and Girls Clubs of Canada and its member Clubs and Regions. The Foundation was previously incorporated under the Canada Corporations Act as a public charitable foundation and was continued under the Canada Not-for-profit Corporations Act in June 2013.

Under the Income Tax Act (Canada), the Foundation is classified as a registered charity and, accordingly, is not subject to income taxes.

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 for reporting restricted contributions.

The J.W. McConnell Foundation Trust Fund was established to account separately for a donation received from the J.W. McConnell Family Foundation. Income earned on this fund is distributed to Boys and Girls Clubs of Canada for disbursement to member Clubs and Regions.

The Endowment Fund was established in 1968 to account separately for donations received through a Boys and Girls Clubs of Canada national fundraising campaign. The Endowment Fund provides support exclusively to Boys and Girls Clubs of Canada national office.

The Scholarship Fund was established in 2001. It receives donations designated to support the scholarship award program administered by the Boys and Girls Clubs of Canada. Awards are made from the earnings on the fund in the previous year.

1. Significant accounting policies (continued):

(b) Revenue recognition:

Donation revenue is recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recorded as revenue of the appropriate fund.

Restricted investment income is recognized as revenue of the appropriate fund. Unrestricted investment income is recognized in the operating fund when earned. Net unrealized gain (loss) on investments is recognized in the appropriate fund.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to carry non-equity investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the straight-line method.

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 Foundation 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 Foundation 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.

1. Significant accounting policies (continued):

(d) 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. Related party transactions and balances:

During the year, the Foundation paid $852,596 (2015 - $397,500) in grants to the Boys and Girls Clubs of Canada and received $19,540 (2015 - $21,108) of reimbursable expenses on behalf of the Boys and Girls Clubs of Canada.

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.

3. Investments:

Investments in pooled funds are carried at fair value and consist of the following:

	2016	2015
J.W. McConnell Foundation Trust Fund:		
Cash	$ 77,573	$ 59,635
Fixed income securities	310,291	337,931
Canadian equities	252,111	238,540
Global equities	659,369	695,741
Other	639,975	655,984
	1,939,319	1,987,831
Endowment Fund:		
Cash	172,223	146,966
Fixed income securities	688,894	832,810
Canadian equities	559,726	587,866
Global equities	1,463,900	1,714,609
Other	1,420,844	1,616,632
	4,305,587	4,898,883
Scholarship Fund:		
Cash	8,663	7,058
Fixed income securities	34,651	39,997
Canadian equities	28,154	28,233
Global equities	73,632	82,347
Other	71,467	77,641
	216,567	235,276
	$ 6,461,473	$ 7,121,990

Investment income consists of the following:

	2016	2015
Realized gains on investments	$ 46,009	$ 96,775
Interest	18,327	65,590
Dividends	164,412	113,610
	228,748	275,975
Net unrealized gains on investments	82,152	352,633
Total investment income	$ 310,900	$ 628,608

The Foundation incurred investment management fees of $58,854 (2015 - $60,313).

4. Guarantees:

Indemnity has been provided to all directors, officers and volunteers in relation to their activities on behalf of the Foundation. The Foundation 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.

5. Risk management:

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 market prices. Market risk comprises three types of risk: interest rate risk, foreign currency rate risk and equity price risk. The Foundation is exposed to these risks as follows:

(a) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income-denominated investments. The Foundation manages its investments based on its cash flow needs and with a view to optimizing its investment income. The Foundation has invested in pooled money market, treasury bills, fixed income and equity funds as the means for managing its interest rate risk. The exposure to this risk fluctuates as the investments and related interest rates change from year to year.

(b) Foreign currency rate risk:

The Foundation's functional currency is the Canadian dollar. The value of investments denominated in a currency other than the Canadian dollar will be affected by changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated. The Foundation manages this risk by limiting concentration levels.

As at December 31, 2016, marketable securities in the amount of $3,372,889 (2015 - $3,696,313) are denominated in foreign currencies and have been converted into equivalent Canadian dollars at the exchange rate in effect at the year end. The exposure to this risk changes as the transaction and balance amounts change and as the exchange rate fluctuates.

5. Risk management (continued):

(c) Equity price risk:

The Foundation maintains a portion of investments in pooled fixed income and equity funds and, as a result, is subject to price risk associated with the fluctuations in the market price for these investments. Based on the Foundation's risk tolerance, an asset allocation model was developed and implemented for investments. As at December 31, 2016, marketable securities in equity investments are $3,036,892 (2015 - $3,347,335). The exposure to this risk fluctuates as the Foundation's investments change from year to year.