

Financial Statements of

**BOYS AND GIRLS CLUBS OF  
CANADA FOUNDATION**

Year ended December 31, 2017



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## 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, 2017, 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.



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*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, 2017, 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*

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Chartered Professional Accountants, Licensed Public Accountants

April 20, 2018  
Vaughan, Canada

# BOYS AND GIRLS CLUBS OF CANADA FOUNDATION

## Balance Sheet

December 31, 2017, with comparative information for 2016

	2017	2016
<b>Assets</b>		
Current assets:		
Cash	\$ 36,179	\$ 35,468
Due from related party (note 2)	298,642	-
Accounts receivable	-	4,583
	<u>334,821</u>	<u>40,051</u>
Investments (note 3)	6,068,437	6,461,473
	<u>\$ 6,403,258</u>	<u>\$ 6,501,524</u>

## Liabilities and Fund Balances

Current liabilities:		
Due to related party (note 2)	\$ -	\$ 33,032
Fund balances:		
Operating fund	(20,982)	(2,785)
Restricted funds:		
J.W. McConnell Foundation Trust Fund	1,975,719	1,939,319
Endowment Fund	4,220,488	4,315,391
Scholarship Fund	228,033	216,567
	<u>6,403,258</u>	<u>6,468,492</u>
	<u>\$ 6,403,258</u>	<u>\$ 6,501,524</u>

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, 2017, with comparative information for 2016

	Restricted funds					2017	2016
	Operating fund	J.W. McConnell Foundation Trust Fund	Endowment Fund	Scholarship Fund	Total	Total	Total
<b>Revenue:</b>							
Donations	\$ 310	\$ -	\$ -	\$ -	\$ 310	\$ 310	\$ 1,313
Investment	-	130,423	289,560	14,565	434,548	434,548	228,748
	310	130,423	289,560	14,565	434,858	434,858	230,061
<b>Expenses:</b>							
Professional fees	8,752	-	-	-	8,752	8,752	11,037
Administrative	59,755	-	-	-	59,755	59,755	55,560
Custodial fees	-	15,123	33,575	1,689	50,387	50,387	58,854
Allocation to Boys and Girls Clubs of Canada:							
National operations	-	30,000	392,136	-	422,136	422,136	735,196
Projects and programs	-	90,000	-	6,000	96,000	96,000	117,400
	68,507	135,123	425,711	7,689	637,030	637,030	978,047
<b>Net unrealized gain on investments</b>	-	41,100	91,248	4,590	136,938	136,938	82,152
<b>Excess of revenue over expenses (expenses over revenue)</b>	(68,197)	36,400	(44,903)	11,466	(65,234)	(65,234)	(665,834)
<b>Inter-fund transfers</b>	50,000	-	(50,000)	-	-	-	-
<b>Fund balances, beginning of year</b>	(2,785)	1,939,319	4,315,391	216,567	6,468,492	6,468,492	7,134,326
<b>Fund balances, end of year</b>	\$ (20,982)	\$ 1,975,719	\$ 4,220,488	\$ 228,033	\$ 6,403,258	\$ 6,403,258	\$ 6,468,492

See accompanying notes to financial statements.

# BOYS AND GIRLS CLUBS OF CANADA FOUNDATION

## Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
<b>Cash provided by (used in):</b>		
<b>Operating activities:</b>		
Excess of revenue over expenses		
(expenses over revenue):		
Operating fund	\$ (68,197)	\$ (65,122)
Restricted funds	2,963	(600,712)
Items not involving cash:		
Loss (gain) on sale of investments	(136,938)	12,845
Net unrealized gain on investments	(203,480)	(82,152)
Change in non-cash operating working capital:		
Due to/from related party	(331,674)	30,071
Accounts receivable	4,583	170
Accounts payable and accrued liabilities	-	(11,200)
	<u>(732,743)</u>	<u>(716,100)</u>
<b>Investing activities:</b>		
Proceeds on sale of investments	914,136	912,400
Purchases of investments	(180,682)	(182,576)
	<u>733,454</u>	<u>729,824</u>
Increase in cash	711	13,724
Cash, beginning of year	35,468	21,744
Cash, end of year	<u>\$ 36,179</u>	<u>\$ 35,468</u>

See accompanying notes to financial statements.

# BOYS AND GIRLS CLUBS OF CANADA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2017

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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.

### (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.

# BOYS AND GIRLS CLUBS OF CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

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## 1. Significant accounting policies (continued):

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.

### (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.



# BOYS AND GIRLS CLUBS OF CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

## 2. Related party transactions and balances:

During the year, the Foundation paid \$518,316 (2016 - \$852,596) in grants to the Boys and Girls Clubs of Canada (the "Club") and received \$14,326 (2016 - \$19,540) of reimbursable expenses paid by the Club on behalf of the Foundation.

The Board of Directors of the Club approved a \$346,000 transfer of surplus to the Foundation during the year. This is recorded as due from the Club. The amount due from the Club of \$298,642 is net of \$47,358 due to the Club from 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.

## 3. Investments:

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

	2017	2016
<b>J.W. McConnell Foundation Trust Fund:</b>		
Cash	\$ 70,468	\$ 77,573
Fixed income securities	246,586	310,291
Canadian equities	298,449	252,111
Global equities	763,786	659,369
Other	596,431	639,975
	<u>1,975,720</u>	<u>1,939,319</u>
<b>Endowment Fund:</b>		
Cash	137,843	172,223
Fixed income securities	482,344	688,894
Canadian equities	583,792	559,726
Global equities	1,494,033	1,463,900
Other	1,166,673	1,420,844
	<u>3,864,685</u>	<u>4,305,587</u>
<b>Scholarship Fund:</b>		
Cash	8,133	8,663
Fixed income securities	28,460	34,651
Canadian equities	34,446	28,154
Global equities	88,154	73,632
Other	68,839	71,467
	<u>228,032</u>	<u>216,567</u>
	<u>\$ 6,068,437</u>	<u>\$ 6,461,473</u>

# BOYS AND GIRLS CLUBS OF CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

### 3. Investments (continued):

Investment income consists of the following:

	2017	2016
Realized gains on investments	\$ 253,866	\$ 46,009
Interest	70,472	18,327
Dividends	110,210	164,412
	434,548	228,748
Net unrealized gains on investments	136,938	82,152
<b>Total investment income</b>	<b>\$ 571,486</b>	<b>\$ 310,900</b>

The Foundation incurred investment management fees of \$50,387 (2016 - \$58,854).

### 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.

# BOYS AND GIRLS CLUBS OF CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

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## 5. Risk management (continued):

### (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, 2017, marketable securities in the amount of \$3,475,491 (2016 - \$3,372,889) 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.

### (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, 2017, marketable securities in equity investments are \$3,262,660 (2016 - \$3,036,892). The exposure to this risk fluctuates as the Foundation's investments change from year to year.