

Financial Statements of

**BOYS AND GIRLS CLUBS OF
CANADA FOUNDATION**

Year ended December 31, 2018



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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the balance sheet as at December 31, 2018
- the statement of revenue and 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.



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- 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

April 17, 2019

BOYS AND GIRLS CLUBS OF CANADA FOUNDATION

Balance Sheet

December 31, 2018, with comparative information for 2017

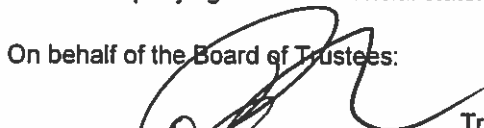
	2018	2017
Assets		
Current assets:		
Cash	\$ 36,825	\$ 36,179
Due from related party (note 2)	-	298,642
	<u>36,825</u>	<u>334,821</u>
Investments (note 3)	5,975,820	6,068,437
	<u>\$ 6,012,645</u>	<u>\$ 6,403,258</u>

Liabilities and Fund Balances

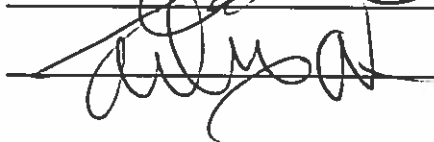
Current liabilities:		
Due to related party (note 2)	\$ 90,945	\$ -
Fund balances:		
Operating fund	-	(20,982)
Restricted funds:		
J.W. McConnell Foundation Trust Fund	1,855,566	1,975,719
Endowment Fund	3,847,582	4,220,488
Scholarship Fund	218,552	228,033
	<u>5,921,700</u>	<u>6,403,258</u>
	<u>\$ 6,012,645</u>	<u>\$ 6,403,258</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, 2018, with comparative information for 2017

	2018					2017						
	Operating fund	J.W. McConnell Foundation Trust Fund	Restricted funds	Endowment Fund	Scholarship Fund	Operating fund	J.W. McConnell Foundation Trust Fund	Restricted funds	Endowment Fund	Scholarship Fund	Total	Total
Revenue:												
Donations	\$ 5,262	\$ -	\$ -	\$ -	\$ -	\$ 5,262	\$ -	\$ -	\$ -	\$ -	\$ 5,262	\$ 310
Investment	577	127,002	248,427	14,658	390,664	577	127,002	14,658	390,664	434,548	434,548	
	5,839	127,002	248,427	14,658	395,926	5,839	127,002	14,658	395,926	434,858	434,858	
Expenses:												
Professional fees	11,800	-	-	-	11,800	11,800	-	-	-	8,752	8,752	
Administrative	86,980	-	-	-	86,980	86,980	-	-	-	59,755	59,755	
Custodial fees	-	15,782	30,871	1,822	48,475	-	15,782	1,822	48,475	50,387	50,387	
Allocation to Boys and Girls Clubs of Canada:												
National operations	-	-	200,000	-	200,000	-	-	-	200,000	422,136	422,136	
Projects and programs	-	90,000	-	6,000	96,000	-	90,000	6,000	96,000	96,000	96,000	
	98,780	105,782	230,871	7,822	443,255	98,780	105,782	7,822	443,255	637,030	637,030	
Net unrealized gain (loss) on investments	-	(141,373)	(276,539)	(16,317)	(434,229)	-	(141,373)	(16,317)	(434,229)	136,938	136,938	
Deficiency of revenue over expenses	(92,941)	(120,153)	(258,983)	(9,481)	(481,558)	(92,941)	(120,153)	(9,481)	(481,558)	(65,234)	(65,234)	
Inter-fund transfers	113,923	-	(113,923)	-	-	113,923	-	-	-	-	-	
Fund balances, beginning of year	(20,982)	1,975,719	4,220,488	228,033	6,403,258	(20,982)	1,975,719	228,033	6,403,258	6,468,492	6,468,492	
Fund balances, end of year	\$ -	\$ 1,855,566	\$ 3,847,582	\$ 218,552	\$ 5,921,700	\$ -	\$ 1,855,566	\$ 218,552	\$ 5,921,700	\$ 6,403,258	\$ 6,403,258	

See accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF CANADA FOUNDATION

Statement of Cash Flows

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

	2018	2017
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses:		
Operating fund	\$ (92,941)	\$ (68,197)
Restricted funds	(388,617)	2,963
Items not involving cash:		
Gain on sale of investments	(157,329)	(203,480)
Net unrealized loss (gain) on investments	434,229	(136,938)
Change in non-cash operating working capital:		
Due to/from related party	389,587	(331,674)
Accounts receivable	—	4,583
	<u>184,929</u>	<u>(732,743)</u>
Investing activities:		
Proceeds on sale of investments	—	914,136
Purchases of investments	(184,283)	(180,682)
	<u>(184,283)</u>	<u>733,454</u>
Increase in cash	646	711
Cash, beginning of year	36,179	35,468
Cash, end of year	<u>\$ 36,825</u>	<u>\$ 36,179</u>

See accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF CANADA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2018

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, 2018

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, 2018

2. Related party transactions and balances:

During the year, the Foundation paid \$304,928 (2017 - \$518,316) in grants to the Boys and Girls Clubs of Canada (the "Club") and received \$84,659 (2017 - \$14,326) of reimbursable expenses paid by the Club on behalf of the Foundation.

Transactions and balances 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:

	2018	2017
Cash	\$ 280,864	\$ 291,285
Fixed income	1,135,406	679,665
Canadian equity	711,123	916,334
US & International equity	2,055,681	2,348,485
Other	1,792,746	1,832,668
	<u>\$ 5,975,820</u>	<u>\$ 6,068,437</u>

Investment income consists of the following:

	2018	2017
Realized gains on investments	\$ 205,804	\$ 253,866
Interest	10,401	70,472
Dividends	174,459	110,210
	<u>390,664</u>	<u>434,548</u>
Net unrealized gain (loss) on investments	(434,229)	136,938
<u>Total investment income (loss)</u>	<u>\$ (43,565)</u>	<u>\$ 571,486</u>

The Foundation incurred investment management fees of \$48,475 (2017 - \$50,387).

BOYS AND GIRLS CLUBS OF CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2018

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, 2018, marketable securities in the amount of \$3,095,475 (2017 - \$3,475,491) 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.

BOYS AND GIRLS CLUBS OF CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2018

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, 2018, marketable securities in equity investments are \$2,766,805 (2017 - \$3,262,660). The exposure to this risk fluctuates as the Foundation's investments change from year to year.