Financial Statements of

BOYS AND GIRLS CLUBS OF CANADA

Year ended December 31, 2015

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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, 2015, 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, 2015, 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

March 24, 2016
Toronto, Canada

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BOYS AND GIRLS CLUBS OF CANADA

Balance Sheet

December 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash	$ 974,967	$ 1,920,955
Investments (note 2)	6,321,187	5,672,071
Grants and other receivables (notes 3 and 4)	424,071	459,248
Prepaid expenses and other	116,237	104,914
	7,836,462	8,157,188
Capital assets (note 5)	287,499	334,333
	$ 8,123,961	$ 8,491,521
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities (notes 4 and 6)	$ 778,627	$ 890,046
Deferred contributions (note 7)	5,056,355	5,397,925
	5,834,982	6,287,971
Deferred leasehold inducement (note 8)	131,235	153,107
Fund balances:		
General Fund:		
Invested in capital assets	156,263	181,226
Internally restricted (note 9)	69,969	162,915
Unrestricted	869,438	649,694
	1,095,670	993,835
Restricted funds:		
J.W. McConnell Foundation Trust Fund	63,026	63,523
Scholarship Fund	999,048	993,085
	1,062,074	1,056,608
	2,157,744	2,050,443
Commitments (note 12)		
Guarantees (note 13)		
	$ 8,123,961	$ 8,491,521

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, 2015, with comparative information for 2014

				2015	2014
		Restricted Funds			
	General Fund	J.W. McConnell Foundation Trust Fund	Scholarship Fund	Total	Total
Revenue:					
Donations (note 10)	$ 9,225,360	$ –	$ 110,000	$ 9,335,360	$ 7,706,817
Special events	1,081,154	–	–	1,081,154	1,061,177
Government	638,374	–	–	638,374	394,371
Member, service and event fees (note 11)	488,224	–	–	488,224	551,445
Managed services	71,799	–	–	71,799	104,575
Investment income and miscellaneous	81,740	–	10,213	91,953	86,081
Boys and Girls Clubs of Canada Foundation	307,500	90,000	–	397,500	380,000
	11,894,151	90,000	120,213	12,104,364	10,284,466
Expenses:					
Support to Clubs, programs and services	2,205,618	9,500	–	2,215,118	2,280,308
Grants for specific activities	6,570,115	80,997	–	6,651,112	4,420,062
National programs	1,295,144	–	–	1,295,144	1,485,844
Scholarships	103,997	–	114,250	218,247	250,472
Governance	108,894	–	–	108,894	180,251
	10,283,768	90,497	114,250	10,488,515	8,616,937
Amortization of capital assets	84,581	–	–	84,581	92,008
Administration	1,136,050	–	–	1,136,050	752,067
Special events	287,917	–	–	287,917	380,693
	11,792,316	90,497	114,250	11,997,063	9,841,705
Excess (deficiency) of revenue over expenses	101,835	(497)	5,963	107,301	442,761
Fund balances, beginning of year	993,835	63,523	993,085	2,050,443	1,607,682
Fund balances, end of year	$ 1,095,670	$ 63,026	$ 999,048	$ 2,157,744	$ 2,050,443

See accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF CANADA

Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash flows provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses:		
General Fund	$ 101,835	$ (13,419)
Restricted Funds	5,466	456,180
Amortization which does not involve cash:		
Deferred capital contribution	–	(2,654)
Capital assets	84,581	92,008
Deferred leasehold inducement	(21,872)	(21,868)
	170,010	510,247
Change in non-cash operating working capital:		
Grants and other receivables	35,177	(40,830)
Prepaid expenses and other	(11,323)	(28,971)
Accounts payable and accrued liabilities	(111,419)	(140,893)
Deferred contributions	(341,570)	649,555
	(259,125)	949,108
Investing activities:		
Purchases of investments	(8,092,230)	(6,841,746)
Proceeds on sales of investments	7,443,114	6,501,634
Purchase of capital assets	(37,747)	(15,369)
	(686,863)	(355,481)
Increase (decrease) in cash	(945,988)	593,627
Cash, beginning of year	1,920,955	1,327,328
Cash, end of year	$ 974,967	$ 1,920,955

See accompanying notes to financial statements.

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.

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	$ 275,860
Rogers Raising the Grade	700,688
Fidelity Investments	22,500

(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.

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	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.

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:

2015			2014		
Fair value	Due	Interest rate	Fair value	Due	Interest rate
$ 1,007,615	April 21, 2016	1.09%	$ 404,584	May 9, 2015	1.20%
1,007,568	May 25, 2016	1.25%	405,545	May 14, 2015	1.20%
1,210,172	November 25, 2016	1.40%	725,214	November 11, 2015	1.20%
700,862	November 14, 2016	1.25%	1,850,868	December 16, 2015	1.07%
192,646	December 16, 2016	1.23%	267,871	December 15, 2015	1.07%
701,765	October 17, 2016	1.18%	1,009,090	May 9, 2015	1.40%
1,500,559	December 16, 2016	0.85%	1,008,899	May 14, 2015	1.40%
$ 6,321,187			$ 5,672,071		

3. Grants and other receivables:

Grants and other receivables are recorded, net of an allowance for doubtful accounts of $6,698 (2014 - $1,582).

4. Related party transactions and balances:

Grants and other receivables include a net amount of $2,960 (2014 - $68,761) due from the Foundation.

During the year, the Organization received $397,500 (2014 - $380,000) in grants from the Foundation and paid $21,108 (2014 - $21,866) 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:

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment and software	$ 139,075	$ 96,700	$ 42,375	$ 13,081
Office furniture and equipment	172,824	162,890	9,934	19,868
Leasehold improvements	458,764	238,299	220,465	257,210
Website	304,458	289,733	14,725	44,174
	$ 1,075,121	$ 787,622	$ 287,499	$ 334,333

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities as at December 31, 2015 are government remittances payable of $7,943 (2014 - $8,535) relating to payroll taxes.

7. Deferred contributions:

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

	2015	2014
Balance, beginning of year	$ 5,397,925	$ 4,748,370
Amounts received	8,495,214	7,750,240
Amounts recognized as revenue	(8,836,784)	(7,100,685)
Balance, end of year	$ 5,056,355	$ 5,397,925

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, 2015, $87,490 (2014 - $65,618) 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 nil (2014 - $141,358) of in-kind contributions.

11. Member, service and event fees:

	2015	2014
Fees:		
Member	$ 405,594	$ 398,185
National Conference	–	109,896
National Youth Conference	46,767	–
Other events	35,863	43,364
	$ 488,224	$ 551,445

12. Commitments:

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

2016	$ 263,921
2017	263,921
2018	263,921
2019	258,077
2020	252,290
Thereafter	480,466
	$ 1,782,596

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.

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 2015.

(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:

	%	2015	%	2014
Support to Clubs	45	$ 1,598,537	49	$ 1,539,124
National programs	20	730,533	22	693,354
Governance	2	77,476	3	106,429
Administration	33	1,171,153	26	804,078
		$ 3,577,699		$ 3,142,985