

Financial Statements of

**BOYS AND GIRLS CLUBS OF
CANADA FOUNDATION**

And Independent Auditor's Report thereon

Year ended December 31, 2022



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INDEPENDENT AUDITOR'S 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, 2022
- 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, 2022, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

Auditor's 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 auditor's 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.



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- 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.
- 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 auditor's 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 auditor's 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

May 30, 2023

BOYS AND GIRLS CLUBS OF CANADA FOUNDATION

Balance Sheet

December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash	\$ 128,252	\$ 349,166
Accounts receivable	1,007	–
Investments (note 3)	6,743,978	7,130,805
	<u>\$ 6,873,237</u>	<u>\$ 7,479,971</u>

Liabilities and Fund Balances

Current liabilities:		
Due to related party (note 2)	\$ 763,285	\$ 657,568
Accrued liabilities	16,700	13,100
	<u>779,985</u>	<u>670,668</u>
Fund balances:		
General Fund	2,578,518	2,873,276
Restricted Funds (note 1):		
Endowment Fund	3,287,318	3,692,075
Scholarship Fund	227,416	243,952
	<u>6,093,252</u>	<u>6,809,303</u>
	<u>\$ 6,873,237</u>	<u>\$ 7,479,971</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, 2022, with comparative information for 2021

				2022	2021
	General Fund	Restricted Funds		Total	Total
		Endowment Fund	Scholarship Fund		
Revenue:					
Donations	\$ 94,731	\$ –	\$ –	\$ 94,731	\$ 95,455
Investment	47,501	83,882	4,949	136,332	82,794
	142,232	83,882	4,949	231,063	178,249
Expenses:					
Professional fees	16,668	–	–	16,668	13,649
Administrative	59,423	–	–	59,423	73,045
Event costs	7,500	–	–	7,500	–
Custodial fees	21,351	41,764	2,465	65,580	55,650
Grants to Boys and Girls Clubs of Canada:					
National operations	–	200,000	–	200,000	200,000
Projects and programs	142,983	–	2,000	144,983	96,000
	247,925	241,764	4,465	494,154	438,344
Excess (deficiency) of revenue over expenses before the undernoted	(105,693)	(157,882)	484	(263,091)	(260,095)
Net unrealized gain (loss) on investments	(147,472)	(288,468)	(17,020)	(452,960)	410,374
Grant reimbursement (note 2)	–	–	–	–	773,779
Excess (deficiency) of revenue over expenses	(253,165)	(446,350)	(16,536)	(716,051)	924,058
Fund balances, beginning of year	2,873,276	3,692,075	243,952	6,809,303	5,885,245
Inter-fund transfers	(41,593)	41,593	–	–	–
Fund balances, end of year	\$ 2,578,518	\$ 3,287,318	\$ 227,416	\$ 6,093,252	\$ 6,809,303

See accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF CANADA FOUNDATION

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses:		
General Fund	\$ (253,165)	\$ 835,944
Restricted Funds	(462,886)	88,114
Items not involving cash:		
Loss on sale of investments	75,790	105,413
Net unrealized loss (gain) on investments	452,960	(410,374)
Change in non-cash operating working capital:		
Accounts receivable	(1,007)	–
Due to related party	105,717	(432,263)
Accrued liabilities	3,600	(2,700)
	(78,991)	184,134
Investing activities:		
Purchases of investments	(141,923)	(131,134)
Increase (decrease) in cash	(220,914)	53,000
Cash, beginning of year	349,166	296,166
Cash, end of year	\$ 128,252	\$ 349,166

See accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF CANADA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2022

Boys and Girls Clubs of Canada Foundation (the "Foundation") provides financial support to Boys and Girls Clubs of Canada (the "Club") and its member Clubs and Regions. The Foundation and the Club are related as they share one board member and certain management members. 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 Trust Fund agreement, dated in 1985, required the funds to be held for a minimum of 10 years. During 2019, the Board of Directors approved a motion to transfer the remaining balance of the Trust Fund to the General Fund.

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 principal is required to be maintained intact, in perpetuity. The income generated from the Endowment Fund provides support exclusively to Boys and Girls Clubs of Canada.

	2022	2021
Principal contributions	\$ 3,287,318	\$ 3,287,318
Net accumulated appreciation available for spending	–	404,757
Investment balance, year end	\$ 3,287,318	\$ 3,692,075

BOYS AND GIRLS CLUBS OF CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

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. The Scholarship Fund principal is required to be maintained intact, in perpetuity. Awards are made from the earnings on the fund in the previous year.

	2022	2021
Principal contributions	\$ 206,616	\$ 206,616
Net accumulated appreciation available for spending	20,800	37,336
Investment balance, year end	\$ 227,416	\$ 243,952

(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 General 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.

BOYS AND GIRLS CLUBS OF CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

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 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.

2. Related party transactions and balances:

During the year, the Foundation paid \$344,983 (2021 - \$296,000) in grants to the Club and received \$79,754 (2021 - \$45,224) of reimbursable expenses paid by the Club on behalf of the Foundation.

In fiscal 2016 and 2017, the Foundation provided the Club with transition funding for a structural reorganization. The grant was approved to cover specific budgeted expenditures which the Club was able to fund direct. As such the one-time grant is being reimbursed. Due to related party consists of payable to the Club of \$763,285 (2021 - \$657,568).

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.

BOYS AND GIRLS CLUBS OF CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

3. Investments:

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

	2022	2021
Cash	\$ 263,015	\$ 408,727
Fixed income	316,968	372,232
Canadian equities	505,798	379,531
U.S. and International equities	2,987,582	3,736,921
Other	2,670,615	2,233,394
	<u>\$ 6,743,978</u>	<u>\$ 7,130,805</u>

Investment income consists of the following:

	2022	2021
Realized losses on investments	\$ (10,210)	\$ (49,763)
Interest	67,403	132,557
Dividends	79,139	—
	<u>136,332</u>	<u>82,794</u>
Net unrealized gain (loss) on investments	(452,960)	410,374
Total investment income (loss)	<u>\$ (316,628)</u>	<u>\$ 493,168</u>

The Foundation incurred investment management fees of \$65,580 (2021 - \$55,650).

BOYS AND GIRLS CLUBS OF CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

4. 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 summarized below:

(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, 2022, marketable securities in the amount of \$4,997,288 (2021 - \$5,832,998) 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, 2022, marketable securities in equity investments are \$3,493,380 (2021 - \$4,021,774). The exposure to this risk fluctuates as the Foundation's investments change from year to year.