

Financial Statements of

**BOYS AND GIRLS CLUBS
OF CANADA**

And Independent Auditor's Report thereon

Year ended December 31, 2022



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Boys and Girls Clubs of Canada

Opinion

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

- the balance sheet as at December 31, 2022
- the statement of revenue and expenses for the year then ended
- the statement of changes in net assets 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

March 24, 2023

BOYS AND GIRLS CLUBS OF CANADA

Balance Sheet

December 31, 2022, with comparative information for 2021

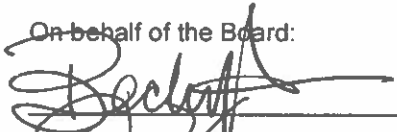
	2022	2021
Assets		
Current assets:		
Cash	\$ 1,126,556	\$ 1,179,366
Investments (note 2)	11,188,367	9,640,232
Grants and other receivables	1,366,746	1,418,081
Prepaid expenses and other	196,320	219,921
Due from related party (note 3)	821,351	688,214
	<u>14,699,340</u>	<u>13,145,814</u>
Capital assets (note 4)	309,539	351,361
	<u>\$ 15,008,879</u>	<u>\$ 13,497,175</u>


Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 5,029,866	\$ 2,608,885
Deferred contributions (note 6)	7,596,303	8,606,296
	<u>12,626,169</u>	<u>11,215,181</u>
Deferred leasehold inducement (note 7)	-	6,219
Net assets:		
Unrestricted	2,382,710	2,275,775
Commitments (note 10)		
	<u>\$ 15,008,879</u>	<u>\$ 13,497,175</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

BOYS AND GIRLS CLUBS OF CANADA

Statement of Revenue and Expenses

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

	2022	2021
Revenue:		
Government	\$ 13,138,602	\$ 4,240,931
Donations	9,503,579	11,132,863
Member, service and event fees (note 9)	687,295	610,949
Boys and Girls Clubs of Canada Foundation (note 3)	344,983	296,000
Investment income and miscellaneous	243,060	43,485
Special events	184,104	297,985
	<u>24,101,623</u>	<u>16,622,213</u>
Expenses:		
Grants for specific activities	12,882,066	7,204,492
National programs	5,349,602	3,639,074
Support to Clubs, programs and services	3,714,228	2,901,476
Governance	172,433	120,948
Scholarships	102,465	158,250
	<u>22,220,794</u>	<u>14,024,240</u>
Administration	1,471,377	1,396,994
Amortization of capital assets	236,677	262,517
Special events	65,840	41,684
Grant reimbursement (note 3(a))	–	773,779
	<u>23,994,688</u>	<u>16,499,214</u>
Excess of revenue over expenses	<u>\$ 106,935</u>	<u>\$ 122,999</u>

See accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF CANADA

Statement of Changes in Net Assets

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

	2022	2021
Balance, beginning of year	\$ 2,275,775	\$ 2,152,776
Excess of revenue over expenses	106,935	122,999
Balance, end of year	\$ 2,382,710	\$ 2,275,775

See accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF CANADA

Statement of Cash Flows

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

	2022	2021
Cash flows provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 106,935	\$ 122,999
Amortization which does not involve cash:		
Capital assets	236,677	262,517
Deferred leasehold inducement	(6,219)	(28,746)
Change in non-cash operating working capital:		
Grants and other receivables	51,335	274,563
Prepaid expenses and other	23,601	(25,606)
Accounts payable and accrued liabilities	2,420,981	(766,383)
Deferred contributions	(1,009,993)	1,516,850
Due from related party	(133,137)	404,697
	<u>1,690,180</u>	<u>1,760,891</u>
Investing activities:		
Purchase of investments	(1,548,135)	(1,834,964)
Purchase of capital assets	(194,855)	(136,240)
	<u>(1,742,990)</u>	<u>(1,971,204)</u>
Decrease in cash	(52,810)	(210,313)
Cash, beginning of year	1,179,366	1,389,679
Cash, end of year	<u>\$ 1,126,556</u>	<u>\$ 1,179,366</u>

See accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF CANADA

Notes to Financial Statements

Year ended December 31, 2022

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 (the "Clubs").

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

Effective March 31, 2021, the Organization began operating under the name BGC Canada for purposes of national brand awareness and to align with the inclusive practices of the Clubs. The Organization's legal name remains unchanged.

The Boys and Girls Clubs of Canada Foundation (the "Foundation") and the Organization are related as they share one board member and certain management members. The Organization has a financial interest in the Foundation as it receives annual funding 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 and are not controlled or significantly influenced by the Organization.

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) Revenue recognition:

The Organization follows the deferral method of accounting for contributions which include donations and government grants.

Program grants are recorded as revenue in the year to which they relate. Grants approved but not received at the end of an accounting year are accrued. Where a portion of a grant relates to a future year, it is deferred and recognized in that subsequent year.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

BOYS AND GIRLS CLUBS OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and subsequently measured at cost or amortized cost.

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 year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(c) 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, the 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

BOYS AND GIRLS CLUBS OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(d) Deferred leasehold inducement:

The Organization has a deferred leasehold inducement related to the reimbursement by the lessor of certain expenditures for leasehold improvements that will be amortized over the term of the lease.

(e) 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.

(f) Allocation of administration expenses:

The Organization classifies certain expenses on the statement of revenue and expenses by function. The Organization allocates certain costs by identifying the appropriate basis of allocating and applying that basis consistently each year. The Organization allocates salaries and administration expenses to Support to Clubs, National Programs and Governance proportionately based on the percentage of time spent by active employees per function.

(g) 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:

The Organization has a business investment account with a balance of \$11,188,367 (2021 - \$9,640,232), bearing interest rate of 3.5% (2021 - 0.40%) per annum.

BOYS AND GIRLS CLUBS OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2022

3. Related party transactions and balances:

(a) Boys and Girls of Canada Foundation:

Due from related party includes the net amount of receivable from the Foundation of \$763,285 (2021 - \$657,568).

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

In fiscal 2016 and 2017, the Foundation provided the Organization with transition funding for a structural reorganization. The grant was approved to cover specific budgeted expenditures which the Organization was able to fund direct. As such the one-time grant was reimbursed in 2021

(b) Boys and Girls Clubs of Alberta:

The Organization is related to Boys and Girls Clubs of Alberta. The Organization provides governance, marketing, resource development and administrative support to achieve the same mission of both Organizations, in order to support its member Boys and Girls Clubs across the province of Alberta.

Due from related party includes the net amount payable to/receivable from Boys and Girls Club Alberta of \$58,066 (2021 - \$30,646).

During the year, the Organization paid \$130,197 (2021 - \$82,990) of reimbursable expenses on behalf of Boys and Girls Clubs of Alberta.

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.

BOYS AND GIRLS CLUBS OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2022

4. Capital assets:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment and software	\$ 570,813	\$ 367,123	\$ 203,690	\$ 273,779
Office furniture and equipment	96,442	24,157	72,285	19,388
Leasehold improvements	33,843	279	33,564	58,194
	\$ 701,098	\$ 391,559	\$ 309,539	\$ 351,361

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities as at December 31, 2022 are government remittances payable of \$7,310 (2021 - \$9,562) relating to payroll taxes.

6. Deferred contributions:

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

	2022	2021
Balance, beginning of year	\$ 8,606,296	\$ 7,089,446
Amounts received to be spent in future years	1,778,494	4,093,030
Amounts recognized as revenue in current year	(2,788,487)	(2,576,180)
Balance, end of year	\$ 7,596,303	\$ 8,606,296

7. 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, 2021, \$218,725 of this inducement has been amortized against rent expense. During fiscal 2019, the Organization received the benefit of \$20,350 as an inducement under a new lease amendment with its lessor. At December 31, 2022, \$20,350 (2021 - \$14,131) of this inducement has been amortized against rent expense.

BOYS AND GIRLS CLUBS OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2022

8. Unrestricted net assets:

Included in the unrestricted net assets is \$114,152 (2021 - \$278,143) of funds transferred in from the regional offices. These funds hold geographic restrictions in meeting the mandate of the Clubs.

9. Member, service and event fees:

	2022	2021
Fees:		
Member	\$ 415,391	\$ 383,865
Management	157,500	212,084
Other registrations	114,404	15,000
	<u>\$ 687,295</u>	<u>\$ 610,949</u>

10. Commitments:

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

2023	\$ 299,000
2024	302,000
2025	306,000
2026	328,000
2027	328,000
Thereafter	653,000
	<u>\$ 2,216,000</u>

BOYS AND GIRLS CLUBS OF CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2022

11. 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 2021.

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.

12. Allocation of expenses:

The Organization allocates salaries and administration expenses based on the percentage of time spent by active employees per function as follows:

	2022	2021
Support to Clubs	\$ 2,534,468	\$ 2,096,265
National programs	1,169,000	771,558
Governance	118,029	111,017
Administration	1,307,061	1,369,295
	<u>\$ 5,128,558</u>	<u>\$ 4,348,135</u>