Financial statements of
Boys and Girls Clubs of Calgary

December 31, 2017

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Independent Auditor's Report

To the Directors of
Boys and Girls Clubs of Calgary

We have audited the accompanying financial statements of Boys and Girls Clubs of Calgary, which comprise the statement of financial position as at December 31, 2017, the statements of revenue and expenses, changes in net assets and cash flows for the year then ended, and 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.

Auditor's 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 the auditor's 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, the auditor considers 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 Calgary as at December 31, 2017 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants
May 28, 2018

Boys and Girls Clubs of Calgary

Statement of revenue and expenses

Year ended December 31, 2017

	Notes	2017	2016
		$	$
Revenue			
Region 3 and Central Region Child and Family Services Authority	6	**9,350,639**	8,695,352
Donations and other income	6, 10, 11	**6,591,774**	5,763,992
United Way		**2,942,657**	3,114,097
The City of Calgary		**1,795,640**	1,740,417
Federal government		**348,545**	352,143
Amortization of deferred donations related to tangible capital assets	9	**408,464**	394,545
Calgary Exhibition and Stampede		**361,867**	348,093
Program fees and memberships		**351,171**	329,318
Fee for service		**4,810**	5,697
		22,155,567	20,743,654
Expenses			
Affordable housing		**53,431**	40,020
Amortization of tangible capital assets		**495,506**	430,365
Arts and Recreation Centre – The Hangar		**165,878**	236,601
Calgary Exhibition and Stampede		**329,487**	326,211
Camp adventure		**455,941**	415,282
Community partnerships		**6,559,240**	6,464,109
Community-based clubs		**2,367,348**	2,452,729
Employment programs		**1,254,529**	1,396,171
Food and Nutrition in Schools (“FANS”)		**142,342**	235,870
Fund development – Alumni Program		**492,967**	493,392
Group homes, Avenue 15 shelter and foster care		**5,821,779**	5,846,906
Out of school care programs		**265,144**	215,242
Support services		**2,422,602**	2,187,589
		20,826,194	20,740,487
Excess of revenue over expenses		**1,329,373**	3,167

The accompanying notes are an integral part of the financial statements.

Boys and Girls Clubs of Calgary

Statement of changes in net assets

Year ended December 31, 2017

	Notes	2017	2016
		$	$
Balance, beginning of year		2,791,433	2,211,430
Adjustment to net assets	16	—	576,836
Excess of revenue over expenses		1,329,373	3,167
Balance, end of year		4,120,806	2,791,433

The accompanying notes are an integral part of the financial statements.

Boys and Girls Clubs of Calgary

Statement of financial position

As at December 31, 2017

	Notes	2017	2016
		$	$
Assets			
Current assets			
Cash		**418,806**	677,600
Restricted cash – casino and raffle	3	**93,674**	150,348
Marketable securities	4	**2,310,748**	2,673,195
Accounts receivable		**271,886**	317,276
Government remittances recoverable		**39,447**	61,742
Inventory		**116,917**	118,764
Prepaid expenses and deposits		**163,107**	166,156
		3,414,585	4,165,081
Tangible capital assets	5	**8,129,095**	7,820,568
		11,543,680	11,985,649
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**1,140,645**	1,445,775
Deferred contributions – program advances	6	**754,044**	2,771,092
Current portion of capital lease obligations	8	**29,007**	—
Current portion of loans	7	**33,751**	50,304
		1,957,447	4,267,171
Capital lease obligations	8	**51,414**	—
Loans	7	**1,051**	1,051
Deferred capital donations to be spent	9	**376,712**	285,313
Deferred donations spent related to tangible capital assets	9	**5,036,250**	4,640,681
		7,422,874	9,194,216
Commitments	8		
Net assets			
Internally restricted		**4,120,806**	2,791,433
		11,543,680	11,985,649

The accompanying notes are an integral part of the financial statements.

Approved by the Board

_____, Director

_____, Director

Boys and Girls Clubs of Calgary

Statement of cash flows

Year ended December 31, 2017

	2017	2016
	$	$
Operating activities		
Excess of revenue over expenses	**1,329,373**	3,167
Items not affecting cash		
Amortization of deferred donations related to tangible capital assets	**(408,464)**	(394,545)
Unrealized gain on marketable securities	**(44,902)**	(36,934)
Amortization of tangible capital assets	**495,506**	430,365
	1,371,513	2,053
Changes in non-cash working capital		
Accounts receivable	**45,390**	307,675
Government remittances recoverable	**22,295**	(22,513)
Inventory	**1,847**	19,328
Prepaid expenses and deposits	**3,049**	2,386
Accounts payable and accrued liabilities	**(305,130)**	143,026
	1,138,964	451,955
Financing activities		
Repayment of loans	**(16,553)**	(17,335)
Purchase of assets under capital lease	**92,721**	—
Repayment of capital lease obligations	**(12,300)**	—
Deferred donations related to tangible capital assets	**895,432**	899,025
Deferred contributions – program advances	**(2,017,048)**	(1,507,865)
	(1,057,748)	(626,175)
Investing activities		
Change in restricted cash	**56,674**	(149,618)
Proceeds from sale of marketable securities, net of purchases	**407,349**	839,737
Purchase of tangible capital assets	**(804,033)**	(1,157,476)
	(340,010)	(467,357)
Net decrease in cash	**(258,794)**	(641,577)
Cash, beginning of year	**677,600**	1,319,177
Cash, end of year	**418,806**	677,600

The accompanying notes are an integral part of the financial statements.

1. Incorporation and nature of operations

Boys and Girls Clubs of Calgary (the "Clubs") is a not-for-profit organization registered under the Societies Act of Alberta and has been operating since 1939. The Clubs is registered under the Income Tax Act as a registered charity. The mission of the Clubs is to ensure that all children and youth have equal opportunity to develop the skills, resources and relationships necessary to realize their full potential as productive individuals. The Clubs provides children and youth with:

- safe and positive places to learn and grow;
- meaningful relationships that change lives; and
- hope for a positive tomorrow.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant accounting policies:

Cash

Cash subject to external restrictions is included in restricted cash (Note 3).

Marketable securities

Marketable securities are composed of Guaranteed Investment Certificates ("GICs"), common stocks in publicly traded companies, government and corporate bonds and mutual funds with maturities greater than three months at the time of purchase and are recorded at fair value.

Pledges receivable

Pledges receivable are not recognized in the Clubs' financial statements as there is no assurance that they will ultimately be collected. Pledges are recognized in the financial statements when they are received.

Inventory

Inventory includes gift certificates and communications and promotional items and is measured at the lower of cost and replacement cost. Cost is determined on a first-in, first-out basis, and net realizable value is determined using the current estimated selling price less the selling cost. The estimated selling price takes into account management's best estimate of the most probably set of economic conditions. The cost of inventory recognized as an operating expense amounted to $166,029 ($163,546 in 2016). There were no write-downs of inventories to net realizable value and no reversals of previous write-downs in fiscal 2017 or 2016. In addition, there was no inventory carried at net realizable value in either period.

Tangible capital assets

Tangible capital assets are recorded at cost. The cost for contributed tangible capital assets is considered to be fair value at the date of contribution. Insignificant tangible capital asset donations are charged to the programs in the period of acquisition.

2. Significant accounting policies (continued)

Tangible capital assets (continued)

The Clubs provides for amortization on a straight-line basis at the following rates, based on the estimated useful lives and residual values of the assets:

Buildings and related improvements	10–30 years
Vehicles	10 years
Office equipment and furniture	4 years
Equipment under capital lease	4 years
Computers	4 years
Clubs equipment	10 years
Camp equipment	10 years
Appliances	10 years

Leasehold building improvements are amortized using the straight-line method over the terms of the leases, which may vary from two to five years and are representative of the estimated useful lives of the assets. Work in progress projects are not amortized until they become available for use.

Tangible capital assets are tested for impairment whenever events or changes in circumstances indicate that an asset can no longer be used as originally expected and its carrying amount may not be fully recoverable. An impairment loss is recognized when and to the extent that management assesses the future useful life of an asset to be less than originally estimated.

Financial instruments

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently recorded at fair value. All other financial instruments are recorded at cost or amortized cost, unless management has elected to record at fair value.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. For all other financial instruments, the transaction costs are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of revenue over expenses.

With respect to financial assets measured at cost or amortized cost, the Clubs recognizes in the statement of revenue over expenses an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. If an asset that was previously written down becomes less impaired and the recovery in value relates to an event occurring subsequent to the impairment write-down, the asset can be written back up, but only to the extent of the original impairment adjustment. This reversal of the previously recorded impairment loss is recorded in the statement of revenue and expenses in the period the reversal occurs.

Revenue recognition

The Clubs follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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. Endowment contributions are recognized as direct increases in net assets.

2. Significant accounting policies (continued)

Revenue recognition (continued)

Restricted capital contributions related to tangible capital assets that will be amortized are deferred and amortized on a straight-line basis over the estimated useful life of the corresponding asset.

Restricted capital contributions for the purchase of tangible capital assets that are not amortized are recognized as direct increases in net assets.

Externally restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Contributions of shares of publicly traded companies are recorded at the closing market price of the shares on the day they are effectively received by the Clubs. The delivered value of the shares is included in donations and other income.

Donated services and materials

A substantial number of volunteers contribute a significant amount of time each year. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements. Gifts in kind are recognized as revenue when the value can be reasonably determined and the Clubs would have otherwise purchased these items for use in the normal course of operations.

Use of estimates

The preparation of financial statements in conformity with ASNPO 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 revenues and expenses during the reporting period.

Estimates primarily arise in the determination of the allowance for doubtful accounts, provision for slow moving and obsolete inventory, calculation of estimated useful lives and potential impairment of tangible capital assets, determination of accrued liabilities and potential contingencies. These estimates and assumptions are reviewed periodically and are prospectively adjusted in the periods in which they become known.

3. Restricted cash

Restricted cash consists of the balances in separate bank accounts as required by the Alberta Gaming and Liquor Commission related to casino and raffle proceeds. The use of these funds is restricted to specified uses as defined in the casino and raffle license agreements, and must be spent within a specified timeframe.

4. Marketable securities

	2017	2016
	$	$
Money market funds	**1,047,505**	1,034,068
Common stocks	**73,797**	10,955
GICs	**501,172**	976,000
Bond funds	**688,274**	652,172
	2,310,748	2,673,195

The range of effective interest rates on the GICs is 0.50% to 1.00% (0.50% to 0.70% in 2016) per annum.

Investment policy

The Clubs has initiated an investment policy that is to be followed when investing the Clubs' portfolio. The Clubs determined that the investments should be diverse; therefore, restrictions were set on the amount that could be invested in each type of investment, which is outlined as follows (these percentages are based on the market value of the investments):

	Maximum	Current
	%	%
Federal governments	100	—
Provincial governments	100	—
Canadian chartered banks rated A or better	100	70
Obligations of Canadian affiliates of foreign banks with a rating of A or A1 or higher	25	30
Commercial paper of Canadian affiliates of foreign banks with a rating of A or A2 or higher	25	—

The Clubs' investments as at December 31, 2017 are currently not in compliance with its investment policy. Based on the current portfolio, the obligations of Canadian affiliates of foreign banks with a rating of A or A1 or higher are higher than the Clubs' board of directors' approved targets. Management is evaluating the current volatility of the market and assessing how best to change the investments in order to bring the portfolio back in compliance with the policy.

5. Tangible capital assets

			2017
	Cost	Accumulated amortization	Net book value
	$	$	$
Buildings and related improvements			
Bowness Club	1,071,262	503,167	568,095
Avenue 15	1,403,314	773,869	629,445
Pineridge Club	851,322	330,805	520,517
Penbrooke Club	784,448	363,263	421,185
Grimmon House	325,352	157,385	167,967
Safe House	395,813	249,555	146,258
Forest Lawn Club	562,282	203,373	358,909
Falconridge Club	254,286	164,855	89,431
Eleanor's House	245,766	123,805	121,961
Crescent Heights Apartments	1,456,716	345,855	1,110,861
Vehicles	663,537	428,608	234,929
Office equipment and furniture	11,520	9,922	1,598
Equipment under capital lease	92,721	4,354	88,367
Computers	93,809	84,298	9,511
Clubs equipment	126,247	112,286	13,961
Camp equipment	446,424	361,826	84,598
Appliances	36,378	17,510	18,868
Leasehold building improvements	1,450,081	390,797	1,059,284
Land	1,235,464	—	1,235,464
Camp – Rankin Hall	1,294,044	46,158	1,247,886
	12,800,786	4,671,691	8,129,095

5. Tangible capital assets (continued)

			2016
	Cost	Accumulated amortization	Net book value
	$	$	$
Buildings and related improvements			
Bowness Club	1,071,262	467,458	603,804
Avenue 15	1,403,314	728,242	675,072
Pineridge Club	851,322	302,428	548,894
Penbrooke Club	784,448	337,115	447,333
Grimmon House	325,352	146,540	178,812
Safe House	395,813	236,361	159,452
Forest Lawn Club	562,282	184,631	377,651
Falconridge Club	254,286	156,379	97,907
Eleanor's House	245,766	115,613	130,153
Crescent Heights Apartments	1,456,716	295,116	1,161,600
Vehicles	663,537	362,252	301,285
Office equipment and furniture	11,520	6,720	4,800
Computers	210,933	175,090	35,843
Clubs equipment	126,247	99,662	26,585
Camp equipment	446,424	346,829	99,595
Appliances	36,378	13,872	22,506
Leasehold building improvements	929,911	319,001	610,910
Land	1,235,464	—	1,235,464
Camp – Rankin Hall construction in progress	1,102,902	—	1,102,902
	12,113,877	4,293,309	7,820,568

6. Deferred contributions – program advances

Deferred contributions - program advances represent resources for operations received in one period that will be utilized in a subsequent period, as well as externally restricted contributions that were not spent as at December 31, 2017. Due to the closure and merger of certain of the Clubs' programs and a redirection of intent by various funders, the Clubs has recognized previously deferred contributions as revenue in 2017. Changes in this deferred contribution balance are as follows:

	2017	2016
	$	$
Balance, beginning of year	**2,771,092**	4,854,853
Received during the year	**15,573,385**	13,014,141
Recognized as revenue during the year	**(17,590,433)**	(14,522,006)
Adjustment to net assets (Note 16)	**—**	(575,896)
Balance, end of year	**754,044**	2,771,092

7. Loans

	2017	2016
	$	$
Royal Bank of Canada demand loan bearing interest at 3.22% (3.22% in 2016) per annum, repayable in monthly blended payments of $448, secured by property with a net book value of $27,547 ($31,102 in 2016) due October 26, 2020	**15,987**	19,352
Royal Bank of Canada demand loan bearing interest at 2.90% (4.72% in 2016) per annum, repayable in monthly blended payments of $434 ($443 in 2016), secured by property with a net book value of $14,168 ($17,260 in 2016) due July 8, 2018	**7,176**	12,128
Royal Bank of Canada demand loan bearing interest at prime plus 1.2% (1.2% in 2016) per annum, repayable in monthly blended payments of $743, secured by property with a net book value of $121,961 ($130,152 in 2016), due June 1, 2018	**10,588**	18,824
Canada Mortgage and Housing Corporation loan bearing interest at 10% per annum, repayable in interest-only payments of $120 per year, secured by property with a net book value of $629,445 ($675,072 in 2016), matures in 2027, at which time the principal will be repayable in full	**1,051**	1,051
	34,802	51,355
Less: current portion	**33,751**	50,304
	1,051	1,051

The Clubs has an unsecured demand operating line of credit to a maximum of $200,000 from Royal Bank Canada bearing interest at prime plus 0.75% per annum. As at December 31, 2017 the outstanding balance of the operating line was $nil ($nil in 2016).

Total interest paid on loans for the year was $2,476 ($2,489 in 2016).

Principal payments required in accordance with the loan terms, assuming amounts are not called for on demand:

	$
2018	23,140
2019	5,376
2020	5,235
2027	1,051
	34,802

8. Capital lease obligations

The Clubs has acquired phone equipment under capital lease during the year that has minimum future payments as follows:

	$
2018	**29,007**
2019	**29,007**
2020	**22,407**
	80,421
Less: current portion of capital lease obligation	**29,007**
	51,414

9. Deferred capital donations and deferred donations related to tangible capital assets

Deferred capital donations to be spent

	2017	2016
	$	$
Balance, beginning of year	**285,313**	286,876
Capital donations received	**895,432**	899,025
Less: capital donations spent	**(804,033)**	(900,588)
Balance, end of year	**376,712**	285,313

Deferred donations spent related to tangible capital assets

	2017	2016
	$	$
Balance, beginning of year	**4,640,681**	4,134,638
Capital donations spent	**804,033**	900,588
Less: amortization for the year	**(408,464)**	(394,545)
Balance, end of year	**5,036,250**	4,640,681

10. Donations and other income

Included in donations and other income is $128,965 ($228,981 in 2016) of gifts in kind.

11. Surplus

Certain of the Clubs' funding sources retain the right under contract to reclaim any funded program surplus consisting of grants in excess of actual funded expenditures. The Clubs, in accordance with surplus retention agreements with its funders, may obtain permission from funding sources to allocate surpluses and apply them to specific purposes. The treatment of funded surpluses for the year ended December 31, 2017 has not yet been determined.

12. Charitable Fund-raising Act and Regulations compliance

Section 8 of the Charitable Fund-raising Act and Sections 6(2) and 7(2) of the Charitable Fund-raising Regulations require the financial information return and audited financial statements to contain certain information related to contributions and related expenses.

Total compensation paid to employees whose principal duties involve fundraising was $343,912 ($358,052 in 2016). Total expenses incurred for the purpose of soliciting contributions were $492,967 ($493,393 in 2016).

13. Donation receipts

The Clubs is registered as a charitable organization under the Income Tax Act (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Clubs must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

14. Financial instruments

Market risk

The Clubs is exposed to market risk as a portion of its investment portfolio is held in marketable securities, which fluctuate with market pressures. Revenue could be affected adversely by changes in the market.

Liquidity risk

The Clubs' objective is to have sufficient liquidity to meet its liabilities when due. The Clubs monitors its cash balances and cash flows generated from operations to meet its requirements.

Interest rate risk

Interest rate risk reflects the sensitivity of the Clubs' financial results and operations to movements in interest rates. The Royal Bank of Canada demand loan is subject to changes in the prime interest rate. As a result, the Clubs is exposed to changes in interest rates. Increases or decreases in these rates could affect the Clubs' revenue over expenses.

Marketable securities have varying maturity dates. Accordingly, if interest rates decline, the Clubs may not be able to reinvest the maturing investment at a rate similar to that of the balance maturing.

15. Administration expense allocation

The Clubs' administration costs comprise 16% (15% in 2016) of total expenses. Individual programs are therefore budgeted to include between 10% and 15% administration costs based on the program's annual operating expenses. Note that for the purpose of clarity, these administration costs are reported separately, and thus program expenditures are reported without these administration costs included. Administration costs are defined as the administrative costs of running the organization, including both amortization and fund development expenses.

16. Adjustment to net assets

In the prior year, net assets were adjusted to include $576,836 in 2016. This was due to the recognition of deferred contributions that were deemed unrestricted of $575,896, as well as the reversal of a $940 prior period amortization charge on a work-in-progress capital addition.

17. Comparative information

Certain of the prior year's balances have been reclassified to conform to the current year's financial statement presentation.