

Non-Consolidated Financial Statements of

BOYS & GIRLS CLUBS OF CALGARY

Year ended December 31, 2018



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Boys & Girls Clubs of Calgary

Opinion

We have audited the non-consolidated financial statements of Boys & Girls Clubs of Calgary (the Entity), which comprise:

- the non-consolidated statement of financial position as at December 31, 2018
- the non-consolidated statement of revenues and expenses for the year then ended
- the non-consolidated statement of changes in net assets for the year then ended
- the non-consolidated 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 non-consolidated financial position of the Entity as at December 31, 2018, and its non-consolidated results of operations and its non-consolidated 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 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.

Other Matter – Comparative Information

The financial statements for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 28, 2018.

Responsibilities of Management and Those Charged with Governance 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, 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.
- 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's 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

Calgary, Canada
April 15, 2019

BOYS & GIRLS CLUBS OF CALGARY

Non-Consolidated statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 660,261	\$ 418,806
Restricted cash – casino and raffle (note 3)	141,545	93,674
Investments (note 4)	1,382,514	2,310,748
Investment in subsidiary (note 17)	284,629	–
Accounts receivable (note 15)	406,264	271,886
Government remittances recoverable	38,961	39,447
Inventory	47,826	116,917
Prepaid expenses and deposits	136,788	163,107
	<u>3,098,788</u>	<u>3,414,585</u>
Tangible capital assets (note 5)	4,062,647	8,129,095
	<u>\$ 7,161,435</u>	<u>\$11,543,680</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 6, 17)	\$ 1,388,880	\$ 1,140,645
Deferred contributions – program advances (note 7)	139,735	754,044
Current portion of capital lease obligation (note 9)	30,458	29,007
Current portion of loans (note 8)	13,004	33,751
	<u>1,572,077</u>	<u>1,957,447</u>
Due to KidzBrainz Child Education Inc. (note 17)	41,666	–
Capital lease obligation (note 9)	19,505	51,414
Loans (note 8)	–	1,051
Deferred donations related to tangible capital assets (note 10)	2,859,810	5,412,962
	<u>4,493,058</u>	<u>7,422,874</u>
Net assets:		
Internally restricted	2,668,377	4,120,806
Subsequent event (note 18)		
	<u>\$ 7,161,435</u>	<u>\$11,543,680</u>

See accompanying notes to the non-consolidated financial statements.

On behalf of the Board:

Director

Director

BOYS & GIRLS CLUBS OF CALGARY

Non-Consolidated Statement of Revenues and Expenses

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

	2018	2017
Revenues:		
Core Funding		
Federal Government	\$ 425,920	\$ 348,545
Provincial Government	8,152,919	9,350,639
United Way	2,970,753	2,942,657
Municipal Government	1,744,830	1,795,640
Calgary Homeless Foundation	1,446,819	1,429,826
Self-Generated Funding		
Donations (note 11, 15)	3,075,599	3,947,567
Program revenue	387,159	361,867
Administrative revenue (note 4)	2,088,650	1,978,826
Investment income (note 17)	4,629	–
	<u>20,297,278</u>	<u>22,155,567</u>
Expenses:		
Clubs	2,914,596	3,048,318
Community based care	4,126,933	3,818,257
Education and Employment	3,160,719	3,159,073
Housing	4,865,121	5,143,787
Indigenous Initiatives	2,939,006	4,014,791
Administrative support	2,136,291	1,641,968
	<u>20,142,666</u>	<u>20,826,194</u>
Excess of revenues over expenses	<u>\$ 154,612</u>	<u>\$ 1,329,373</u>

See accompanying notes to non-consolidated financial statements.

BOYS & GIRLS CLUBS OF CALGARY

Non-Consolidated Statement of Changes in Net Assets

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

	2018	2017
Balance, beginning of year	\$ 4,120,806	\$ 2,791,433
Adjustment to net assets (note 15)	(1,607,041)	–
Excess of revenues over expenses	154,612	1,329,373
Balance, end of year	\$ 2,668,377	\$ 4,120,806

See accompanying notes to non-consolidated financial statements.

BOYS & GIRLS CLUBS OF CALGARY

Non-Consolidated Statement of Cash Flows

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

	2018	2017
Cash and cash equivalents provided by (used in): the following activities:		
Operating:		
Excess of revenues over expenses	\$ 154,612	\$ 1,329,373
Items not affecting cash:		
Amortization of deferred donations related to tangible capital assets	(510,494)	(408,464)
Change in unrealized loss (gain) on investments	1,707	(44,902)
Amortization of tangible capital assets	558,542	495,506
Investment income	(4,629)	–
	<u>199,738</u>	<u>1,371,513</u>
Changes in non-cash working capital:		
Accounts receivable	(95,349)	45,390
Government remittances recoverable	486	22,295
Inventory	69,091	1,847
Prepaid expenses and deposits	(12,710)	3,049
Accounts payable and accrued liabilities (note 18)	164,901	(305,130)
Deferred contributions – program advances	(614,309)	(2,017,048)
	<u>(288,152)</u>	<u>(878,084)</u>
Financing:		
Repayment of loans	(21,798)	(16,553)
Repayment of capital lease obligations	(30,458)	(12,300)
Donations received related to tangible capital assets	50,000	895,432
	<u>(2,256)</u>	<u>866,579</u>
Investing:		
Change in restricted cash	(47,871)	56,674
Proceeds from sale of investments	3,252,291	1,975,176
Purchases of investments	(2,325,764)	(1,567,827)
Investment in Bricks 4 Kidz (B4K)	(155,000)	–
Purchase of tangible capital assets	(191,793)	(711,312)
	<u>531,863</u>	<u>(247,289)</u>
Net increase (decrease) in cash and cash equivalents	241,455	(258,794)
Cash and cash equivalents, beginning of year	418,806	677,600
Cash and cash equivalents, end of year	<u>\$ 660,261</u>	<u>\$ 418,806</u>

See accompanying notes to non-consolidated financial statements.

BOYS & GIRLS CLUBS OF CALGARY

Notes to non-consolidated Financial Statements

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

1. Incorporation and nature of operations:

Boys & Girls Clubs of Calgary (the "Entity") is a not-for-profit organization registered under the Societies Act of Alberta and has been operating since 1939. The Entity is registered under the Income Tax Act as a registered charity and therefore not subject to tax.

The vision of the Entity is to ensure every young person has the relationships they need to grow up well and thrive.

The Entity provides children and youth with:

- (a) Community connections;
- (b) Early childhood development;
- (c) Employment and skill building
- (d) Homelessness, exploitation and trauma supports; and
- (e) Opportunities to succeed in school.

2. Significant accounting policies:

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

(a) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months. Cash subject to external restrictions is included in restricted cash.

(b) Investments:

Investments 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.

(c) Pledges receivable:

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

(d) 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

BOYS & GIRLS CLUBS OF CALGARY

Notes to non-consolidated Financial Statements

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

2. Significant accounting policies (continued):

(d) Inventory (continued):

selling cost. The estimated selling price takes into account management's best estimate of the most probable set of economic conditions

(e) Tangible capital assets:

Tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution.

The Entity 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 vary from two to five years and are representative of the estimated useful lives of the assets.

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.

(f) 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 revenues over expenses.

BOYS & GIRLS CLUBS OF CALGARY

Notes to non-consolidated Financial Statements

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

2. Significant accounting policies (continued):

(f) Financial instruments (continued):

With respect to financial assets measured at cost or amortized cost, the Entity recognizes in the statement of revenues 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 revenues and expenses in the period the reversal occurs.

(g) Revenue recognition:

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

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 Entity. The delivered value of the shares is included in donations and other income.

(h) 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 Entity would have to otherwise purchase these items for use in the normal course of operations.

BOYS & GIRLS CLUBS OF CALGARY

Notes to non-consolidated Financial Statements

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

2. Significant accounting policies (continued):

(i) 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. Actual results could be different from their estimates. These estimates and assumptions are reviewed periodically and are prospectively adjusted in the periods in which they become known.

(j) Presentation and disclosure of controlled profit-oriented enterprises:

On December 11, 2018, the Entity acquired all of the outstanding common shares of KidzBrainz Child Education Inc. (Bricks 4 Kidz), which is a profit-oriented business with educational objectives similar to those of the Entity. The controlled company has not been consolidated with the Entity in these non-consolidated financial statements. Instead, the Entity accounts for the controlled company using the equity method and discloses financial information about the controlled company as specified in the Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook – Accounting.

The non-consolidated financial statements include the Entity's share of the profit and equity movements of equity-accounted investees, from the date that significant influence or control commences until the date that significant influence or control ceases. When the Entity's share of losses exceeds the carrying amount of the investment in an equity accounted investee, the carrying amount of that investment is reduced to nil and the recognition of future losses is discontinued except to the extent that the Entity has guaranteed an obligation of the investee or is otherwise committed to provide further financial support to the investee or the investee seems assured of imminently returning to profitability.

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.

BOYS & GIRLS CLUBS OF CALGARY

Notes to non-consolidated Financial Statements

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

4. Investments:

	2018	2017
Money market funds	\$ 83,358	\$ 1,047,505
Common stocks	120,320	73,797
GICs	500,639	501,172
Bond funds	678,197	688,274
	<u>\$ 1,382,514</u>	<u>\$ 2,310,748</u>

The range of effective interest rates on the GICs is 1% to 2.12% (2017 – 0.50% to 1.00%) per annum. The Entity recorded a change in an unrealized loss on investments during the year of \$1,707 (2017 – \$44,902 unrealized gain).

The Entity has initiated an investment policy that is to be followed when investing the Entity's portfolio. The Entity 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	December 31, 2018
Federal governments	100%	3%
Provincial governments	100%	10%
GIC's and money market funds issued by Canadian chartered banks rated A or better	100%	63%
Obligation of Canadian affiliates of foreign banks with a rating of A or A1 or higher	25%	0%
Commercial paper of Canadian affiliates of foreign banks with a rating of A or A2 or higher	25%	6%
Foreign bonds	10%	9%
Canadian equities	10%	9%

The Entity's investments as at December 31, 2018 are in compliance with its investment policy.

BOYS & GIRLS CLUBS OF CALGARY

Notes to non-consolidated Financial Statements

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

5. Tangible capital assets:

2018	Cost	Accumulated amortization	Net book value
Buildings and related improvements:			
Pineridge Club	\$ 851,322	\$ 359,160	\$ 492,162
Penbrooke Club	784,448	389,366	395,082
Forest Lawn Club	562,282	222,146	340,136
Falconridge Club	254,286	173,345	80,941
Camp – Rankin Hall	1,294,044	96,513	1,197,531
Vehicles	663,537	494,963	168,574
Office equipment and furniture	11,520	11,520	–
Equipment under capital lease	92,721	13,063	79,658
Computers	161,410	103,213	58,197
Clubs equipment	126,247	124,879	1,368
Camp equipment	446,424	406,587	39,837
Appliances	36,378	21,132	15,246
Leasehold building improvements	1,232,132	201,327	1,030,805
Land	163,110	–	163,110
	\$ 6,679,861	\$ 2,617,214	\$ 4,062,647

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
Camp – Rankin Hall	1,294,044	46,158	1,247,886
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
	\$ 12,800,786	\$ 4,671,691	\$ 8,129,095

BOYS & GIRLS CLUBS OF CALGARY

Notes to non-consolidated Financial Statements

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

5. Tangible capital assets (continued):

On December 18, 2018, the Entity transferred to the Boys' and Girls' Clubs of Calgary Foundation capital assets with carrying values totaling \$3,699,709. The nature of the transaction has been disclosed in note 15.

6. Accounts payable and accrued liabilities:

Government remittances included in accounts payable and accrued liabilities at year end were \$131,304 (2017 – \$123,177) for payroll.

7. 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, 2018. Due to the closure and merger of certain programs and a redirection of intent by various funders, the Entity has recognized previously deferred contributions as revenue in 2018. Changes in this deferred contribution balance are as follows:

	2018	2017
Balance, beginning of year	\$ 754,044	\$ 2,771,092
Received during the year	12,136,251	15,573,385
Recognized as revenue during the year	(12,750,560)	(17,590,433)
Balance, end of year	\$ 139,735	\$ 754,044

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Notes to non-consolidated Financial Statements

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

8. Loans:

	2018	2017
Royal Bank of Canada demand loan bearing interest at 3.22% (3.22% in 2017) per annum, repayable in monthly blended payment of \$448, secured by property with a net book value of \$23,992 (2017 - \$27,547) due October 26, 2020.	\$ 11,007	\$ 15,987
Royal Bank of Canada demand loan bearing interest at the banks 2.90% (2.90% in 2017) per annum, repayable in monthly blended payments of \$434, secured by property with a net book value of \$11,076 (\$14,168 in 2017) due July 8, 2018.	-	7,176
Royal Bank of Canada demand loan bearing interest at prime plus 1.2% (1.2% in 2017) per annum, repayable in monthly blended payments of \$743, secured by property with a net book value of \$nil (\$121,961 in 2017), due June 1, 2019.	1,997	10,588
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 \$nil (\$629,445 in 2017), matures in 2027, at which time the principal will be repayable in full.	-	1,051
	13,004	34,802
Less: current portion	13,004	33,751
	\$ -	\$ 1,051

The Entity has an unsecured demand operating line of credit to a maximum of \$200,000 from Royal Bank Canada bearing interest at the banks' prime rate plus 0.75% per annum. As at December 31, 2018 the outstanding balance of the operating line was \$nil (2017 - \$nil).

Total interest paid on loans for the year was \$1,368 (2017 - \$2,476).

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

2019	\$ 7,373
2020	5,631
	\$ 13,004

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Notes to non-consolidated Financial Statements

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

9. Capital lease obligation:

In the prior year the Entity acquired phone equipment under capital lease bearing interest at 2.942% per annum and had a remaining amount owing last year of \$80,421. As of December 31, 2018 amount remaining is \$49,963 of which \$30,458 is current. Principal repayments required are as follows:

2019	\$	30,458
2020		19,505
	\$	49,963

The lease obligation is secured by the underlying asset.

10. Deferred capital donations related to tangible capital assets

	2018	2017
Deferred donations spent related to tangible capital assets:		
Balance, beginning of year	\$ 5,412,962	\$ 4,925,994
Capital donations received	50,000	895,432
Less: amortization for the year	(510,494)	(408,464)
Capital contributions transferred (note 15)	(2,092,658)	—
Balance, end of year	\$ 2,859,810	\$ 5,412,962

11. Donations and other income:

Included in donations and other income is \$97,944 (2017 - \$128,965) of gifts in kind.

BOYS & GIRLS CLUBS OF CALGARY

Notes to non-consolidated Financial Statements

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

12. Surplus:

Certain of the Entity's funding sources retain the right under contract to reclaim any funded program surplus consisting of grants in excess of actual funded expenditures. The Entity, 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, 2018 has not yet been determined.

13. 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 \$348,427 (2017 – \$343,912). Total expenses incurred for the purpose of soliciting contributions were \$570,669 (2017 – \$492,967).

14. Income taxes:

The Entity 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 Entity must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

15. Related party transactions:

Related party transactions with the Boys' & Girls' Clubs of Calgary Foundation ("Foundation"), which is related to the Entity by way of common charitable objectives:

The Entity leases group homes from the Foundation for which rental payments of \$36,000 (2017 - \$36,000) were paid during the year. Also during the year, the Entity received a \$100,000 (2017 - \$100,000) donation from the Foundation, of which \$nil (2017 - \$100,000) is included in accounts receivable at year-end.

On December 18, 2018, the Entity transferred to the Foundation capital assets and deferred capital contributions with carrying values totaling \$3,699,709 and \$2,092,658, respectively, in exchange for cash consideration of \$10. As this transaction was not in the normal course of operations and the change in ownership interests in the items transferred was not substantive, the transaction was measured at the carrying amounts of the assets and liabilities transferred, which resulted in a \$1,607,041 decrease in the Entity's internally restricted net assets.

BOYS & GIRLS CLUBS OF CALGARY

Notes to non-consolidated Financial Statements

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

16. Financial instruments:

(a) Market risk:

The Entity 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.

(b) Liquidity risk:

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

(c) Currency risk:

The Entity is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of the business, the Entity owns shares of investments denominated in U.S. dollars and other foreign currencies.

(d) Credit risk:

The Entity is exposed to credit risk as it relates to cash and cash equivalents and accounts receivable. Cash is held with Canadian financial institutions, and accounts receivable is due from reputable funders and donors with no history of non-payment.

(e) Interest rate risk:

Interest rate risk reflects the sensitivity of the Entity's 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 Entity is exposed to changes in interest rates. Increases or decreases in these rates could affect the Entity's revenues over expenses.

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

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Notes to non-consolidated Financial Statements

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

17. KidzBrainz Child Education Inc. (B4K):

Effective December 11, 2018, Boys & Girls Clubs of Calgary acquired all of the outstanding common shares of B4K for a total purchase price of \$280,000 of which \$83,334 is included within accounts payable and accrued liabilities and \$41,666 as long term payables at December 31, 2018. Management elected to account for this transaction using the equity method of accounting and for that purpose, the financial accounts of B4K have not been consolidated into the Entity's financial statements. The accounting policies between B4K and the Entity does not warrant significant differences.

The Entity's proportionate share of income for the period since acquisition was \$4,629. Financial summaries of B4K as at December 31, 2018 and for the year then ended are as follows:

Statement of Financial Position:

	2018
Total assets	\$ 106,352
Total liabilities	54,792
Total net assets	\$ 51,560

Statement of Revenues and Expenses:

	2018
Total revenue	\$ 315,301
Total cost of sales	12,585
Total other expenses	365,650
Deficiency of revenue over expenses	\$ (62,934)

Statement of Cash Flows:

	2018
Decrease in cash flows from operating activities	\$ (74,895)

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

18. Subsequent event:

Subsequent to year end, the Entity signed an agreement with a financial institution for a revolving demand facility in the amount of \$1,000,000. This facility is due on demand and bears interest at bank's prime rate plus 0.75% per annum.

19. Comparative information:

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