TORONTO KIWANIS BOYS AND GIRLS CLUBS

OPERATING AS BGC TORONTO KIWANIS

FINANCIAL STATEMENTS

DECEMBER 31, 2021

HILBORN LLP

HILBORN LLP

Independent Auditor's Report

To the Members of Toronto Kiwanis Boys and Girls Clubs

Qualified Opinion

We have audited the financial statements of Toronto Kiwanis Boys and Girls Clubs (the "Clubs"), which comprise the balance sheet as at December 31, 2021, and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Clubs as at December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many charitable organizations, Toronto Kiwanis Boys and Girls Clubs derives revenues from fund-raising events and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Toronto Kiwanis Boys and Girls Clubs and we are not able to determine whether, for the years ended December 31, 2021 and December 31, 2020, any adjustments might be necessary to revenues and excess of revenues over expenses reported in the statement of revenues and expenses, cash balances reported in the statements of cash flows and current assets and net assets as reported in the balance sheet. This matter also caused us to qualify our audit opinion on the financial statements as at and for the year ended December 31, 2020.

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 report. We are independent of the Clubs 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 qualified 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 ability of the Clubs 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 Clubs or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Clubs.

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Independent Auditor's Report (continued)

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.
- 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 internal control of the Clubs.
- 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 ability of the Clubs 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 Clubs 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.

We 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Hilborn LLP

Toronto, Ontario
December 19, 2022

Chartered Professional Accountants
Licensed Public Accountants

TORONTO KIWANIS BOYS AND GIRLS CLUBS
OPERATING AS BGC TORONTO KIWANIS

Balance Sheet

December 31	2021 $	2020 $
ASSETS		
Current assets		
Cash	**687,855**	666,133
Investments in GICs (note 3)	**510,273**	509,000
Grants receivable	**289,723**	31,223
HST rebate	**84,850**	35,610
Prepaid expenses	**57,587**	57,832
	1,630,288	1,299,798
Long-term assets		
Property and equipment (note 5)	**835,978**	1,259,986
	2,466,266	2,559,784
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**122,951**	81,985
Deferred revenues (note 6)	**338,778**	384,824
	461,729	466,809
Long-term liabilities		
Deferred revenues - Wondolowski scholarship fund (note 4)	**175,000**	185,000
Deferred capital contributions (note 7)	**1,012,323**	1,272,670
	1,187,323	1,457,670
	1,649,052	1,924,479
NET ASSETS		
Unrestricted net assets	**277,214**	95,305
Internally restricted		
Operating contingency fund	**420,000**	420,000
Capital reserve fund	**120,000**	120,000
	817,214	635,305
	2,466,266	2,559,784

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board:

Director

Director

Statement of Revenues and Expenses

Year ended December 31	2021 $	2020 $
Revenue		
Funding from the Kiwanis Club of Toronto Sources		
The Toronto Kiwanis T.P. Loblaw Charitable Trust	**243,600**	243,600
The Kiwanis Club of Toronto Foundation	**85,129**	100,500
	328,729	344,100
Government and other grants (note 9)	**1,369,801**	1,214,445
United Way of Greater Toronto grants	**267,757**	289,468
Donations and fundraising (note 8)	**666,912**	474,463
User fees	**45,344**	27,231
Amortization of capital contributions (note 7)	**645,113**	625,000
Other income	**56,084**	57,072
	3,379,740	3,031,779
Expenses		
Salaries and benefits	**1,699,402**	1,580,647
Occupancy	**250,221**	230,504
Fundraising	**7,860**	2,014
Program	**472,678**	404,050
Depreciation	**621,669**	624,389
General and administrative	**146,001**	145,715
	3,197,831	2,987,319
Excess of revenues over expenses for the year	**181,909**	44,460

The accompanying notes are an integral part of these financial statements

TORONTO KIWANIS BOYS AND GIRLS CLUBS
OPERATING AS BGC TORONTO KIWANIS
Statement of Changes in Net Assets

Year ended December 31

	Unrestricted $	Operating Contingency Fund $	Capital Reserve Fund $	2021 Total $
Balance, beginning of year	**95,305**	**420,000**	**120,000**	**635,305**
Excess of revenues over expenses for the year	**181,909**	**-**	**-**	**181,909**
Balance, end of year	**277,214**	**420,000**	**120,000**	**817,214**

	Unrestricted $	Operating Contingency Fund $	Capital Reserve Fund $	2020 Total $
Balance, beginning of year	50,845	420,000	120,000	590,845
Excess of revenues over expenses for the year	44,460	-	-	44,460
Balance, end of year	95,305	420,000	120,000	635,305

The accompanying notes are an integral part of these financial statements

TORONTO KIWANIS BOYS AND GIRLS CLUBS
OPERATING AS BGC TORONTO KIWANIS

Statement of Cash Flows

Year ended December 31	2021 $	2020 $
Cash flows from operating activities		
Cash receipts from The Kiwanis Club of Toronto sources	**328,730**	344,100
Cash receipts from government and other grants	**1,323,012**	1,534,766
Cash receipts from fundraising and donations	**712,255**	682,646
Cash receipts from other revenues	**54,811**	48,072
Cash paid to employees and suppliers	**(2,584,192)**	(2,371,084)
	(165,384)	238,500
Cash flows from investing activities		
Purchase of property and equipment	**(197,660)**	(17,316)
Cash flows from financing activities		
Capital contributions received	**384,766**	-
Net change in cash	**21,722**	221,184
Cash, beginning of year	**666,133**	444,949
Cash, end of year	**687,855**	666,133

The accompanying notes are an integral part of these financial statements

December 31, 2021

Nature of Operations

Toronto Kiwanis Boys and Girls Clubs (the "Clubs") is a voluntary organization providing a wide range of programs and services for children and youth aged 6 to 18 years, through professional staff, part time program staff and volunteers. The Clubs provides a safe and positive environment where children and youth can learn, grow and develop the skills they will need as contributing members of society.

Toronto Kiwanis Boys and Girls Clubs is a registered charitable organization incorporated without share capital under the laws of the Province of Ontario and, as such, is generally exempt from income tax.

Effective September 15, 2021, the Clubs operates under the name of BGC Toronto Kiwanis.

1. **Significant accounting policies**

These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles. These financial statements have been prepared within the framework of the significant accounting policies summarized below:

(a) **Basis of presentation**

Unrestricted net assets account for the day-to-day service delivery activities of the Clubs.

The Board of Directors of the Clubs has internally restricted net assets to be used for specific purposes. These funds are not available for operating purposes without approval of the Board of Directors. The details of internally restricted net assets are as follows:

- The Operating Contingency Fund was established to allow for unbudgeted expenses. Any withdrawals are subject to the approval by the Board.

- The Capital Reserve Fund was established to allow for unbudgeted expenses of a capital nature. Any withdrawals are subject to the approval by the Board.

(b) **Revenue recognition**

The Clubs uses the deferral method in accounting for grants. Accordingly, grants subject to externally imposed restrictions are initially recorded as deferred revenue and are subsequently recognized as revenue in the period in which the related expenses are incurred or other grant requirements are satisfied.

Contributions from governments, foundations and other funding agencies that are not for a specific purpose are recognized as revenue when received or receivable.

Unrestricted donations are recognized as revenue when received. Restricted donations are recognized in the year when the funds are used for the purposes specified by the donor.

Revenues from fundraising events are recognized in the period in which the event takes place. Funds received from the fundraising events for specific purposes are recognized as revenue when the funds received are used for the purposes specified during the fundraising event.

1. **Significant accounting policies (continued)**

(b) **Revenue recognition (continued)**

User fees are recognized as revenue when the service has been rendered. Other revenues are recognized as earned.

Other income consists of interest income, sales tax rebate and other incidental income. Interest income is recognized as earned. Sales tax rebate is recognized when receivable. Other incidental income is recognized when collection is reasonably assured.

(c) **Financial instruments**

Measurement of financial assets and liabilities

The Clubs initially measures financial assets and liabilities at fair value. The Clubs subsequently measures all financial assets and financial liabilities at amortized cost.

Amortized cost is the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

Financial assets measured at amortized cost include cash, investments in GICs and grants receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Impairment

At the end of each year, the Clubs assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Objective evidence of impairment includes observable data that comes to the attention of the Clubs, including but not limited to the following events: significant financial difficulty of the issuer; a breach of contract, such as a default or delinquency in interest or principal payments; and bankruptcy or other financial reorganization proceedings.

When there is an indication of impairment, the Clubs determines whether a significant adverse change has occurred during the year in the expected timing or amount of future cash flows from the financial asset.

When the Clubs identifies a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it reduces the carrying amount of the financial asset to the greater of the following:

- the present value of the cash flows expected to be generated by holding the financial asset discounted using a current market rate of interest appropriate to the financial asset; and

- the amount that could be realized by selling the financial asset at the statement of financial position date.

Notes to Financial Statements (continued)

December 31, 2021

1. **Significant accounting policies (continued)**

(c) **Financial instruments (continued)**

Impairment (continued)

Any impairment of the financial asset is recognized in income in the year in which the impairment occurs.

When the extent of impairment of a previously written-down financial asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement, but not in excess of the impairment loss. The amount of the reversal is recognized in income in the year the reversal occurs.

(d) **Related parties and related party transactions**

For purposes of these financial statements, a party is considered to be related to the Clubs if such party or the Clubs has the ability to, directly or indirectly, control or exercise significant influence over the other's financial and operating decisions, or if the Clubs and such party are subject to common control or common significant influence. Related parties may be individuals or other organizations.

The Clubs adopted the amendments in Section 3856, Financial Instruments, relating to the recognition of financial instruments originated or exchanged in a related party transaction on January 1, 2021. These amendments had no impact on the Club’s financial statements.

Under the amended Section 3856, the Clubs initially measures its related party financial instruments as follows:

- at cost, determined using undiscounted cash flows excluding interest payments, less any impairment losses previously recognized by the transferor, if the financial instrument has repayment terms; and

- at cost, determined using the amount of consideration transferred or received, if the financial instrument does not have repayment terms.

Subsequently, all related party financial instruments are measured at cost less impairment.

(e) **Investments**

Investments in GICs consist of guaranteed investment certificates whose term to maturity ranging from three months to twelve months from date of acquisition.

1. **Significant accounting policies (continued)**

(f) **Property and equipment**

Property and equipment are recorded at cost. Repairs and maintenance costs are recognized as expenses as they are incurred. Betterments which extend the intended life of an asset are capitalized.

Depreciation is provided for, upon the commencement of the utilization of the assets, at the following annual rates on a straight line basis:

Leasehold improvements	- over the remaining term of the lease plus renewal option
Equipment	- 4 years
Vehicle	- 4 years

The above rates are reviewed annually for ongoing appropriateness. Any changes to these estimates are adjusted on a prospective basis. If there is an indication that the property and equipment assets may be impaired, an impairment test is performed that compares carrying amount to net recoverable amount. There were no impairment indicators in 2021.

(g) **Deferred capital contributions**

Funds received for the acquisition of property and equipment are deferred and recognized as revenue on the same basis as the depreciation of the related property and equipment.

(h) **Contributed goods and services**

Contributed goods and services are not recognized in the accounts of the Clubs, except when fair value of such goods and services can reasonably be established and when the goods and services are normally purchased by the Clubs and would be paid for if not donated.

During the year, the Clubs received contributed food at an estimated fair value of $12,000 ($13,000 - 2020) that would otherwise be purchased by the Clubs. The amount was recognized in donations.

(i) **Use of estimates**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

Key areas where management has made difficult, complex or subjective judgments, include useful lives of property and equipment and accrued liabilities. Actual results could differ from these and other estimates, the impact of which would be recorded in future affected years.

Notes to Financial Statements (continued)

December 31, 2021

2. Financial instruments risk management

The Clubs is exposed to various risks through its financial instruments. The following analysis provides a measure of the Clubs risk exposure and concentration at the balance sheet date.

The financial instruments of the Clubs and the nature of the risks to which those instruments may be subject, are as follows:

	Risks				
			Market risk		
Financial instrument	Credit	Liquidity	Currency	Interest rate	Other price
Cash	X			X	
Investments in GICs	X			X	
Grants receivable	X				
Accounts payable and accrued liabilities		X			

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Clubs' main credit risk relates to cash, investments in GICs and grants receivable.

The maximum exposure of the Clubs to credit risk is as follows:

	2021	**2020**
	$	**$**
Cash	**687,855**	666,133
Investments in GICs	**510,273**	509,000
Grants receivable	**289,723**	31,223
	1,487,851	1,206,356

The Clubs reduces its exposure to the credit risk of cash and investments in GICs by maintaining balances with a reputable Canadian financial institution.

The Clubs is not exposed to significant credit risk with respect to grants receivable as the Clubs received the grants subsequently.

Liquidity risk

Liquidity risk is the risk that the Clubs will encounter difficulty in meeting obligations associated with financial liabilities. The Clubs is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The Clubs has adequate cash on hand to meet these obligations as they come due.

Notes to Financial Statements (continued)

December 31, 2021

2. **Financial instrument risk management (continued)**

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: currency risk, interest rate risk and other price risk. The Clubs is not exposed to currency or other price risk.

Interest risk

Interest rate risk is the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The Clubs is not exposed to significant interest rate risk. Details of investments in GICs are disclosed in note 3.

Changes in risk

There have been no significant changes in the risk profile of the financial instruments of the Clubs from that of the prior year.

3. **Investments in GICs**

Investments in guaranteed investment certificates are due on November 4, 2022 with an interest at 0.40% per annum (due on November 4, 2021 at 0.25% per annum - 2020).

4. **Deferred revenues - Wondolowski Scholarship Fund**

In fiscal 2018, the Clubs received a donation in the form of a life insurance policy and was designated as the beneficiary and owner of the life insurance policy with a death benefit of $185,000 to be used as scholarships to a member of the Clubs.

The policy was settled upon the passing of the insured on June 26, 2020. The death benefit of $185,000 has been recognized as deferred revenue, restricted for the purpose to provide an annual scholarship between $10,000 and $15,000 in the name of Charles and Lois Wondolowski over 20 years to a deserving member of the Clubs to attend post secondary education.

During fiscal 2021, an annual scholarship of $10,000 was paid out from the Wondolowski Scholarship Fund.

Notes to Financial Statements (continued)

December 31, 2021

5. **Property and equipment**

The details of property and equipment are as follows:

	2021		
	Cost $	Accumulated Amortization $	Net Book Value $
Leasehold improvements	**6,631,081**	**6,017,246**	**613,835**
Equipment	**151,395**	**126,912**	**24,483**
Vehicle	**74,772**	**74,772**	**-**
Leasehold improvements in progress	**197,660**	**-**	**197,660**
	7,054,908	**6,218,930**	**835,978**

	2020		
	Cost $	Accumulated Amortization $	Net Book Value $
Leasehold improvements	6,631,080	5,403,738	1,227,342
Equipment	151,395	118,751	32,644
Vehicle	74,772	74,772	-
	6,857,247	5,597,261	1,259,986

During the year, the Clubs incurred costs amounted to $197,660 in connection with the leasehold improvements at the 2 Lancaster Avenue property. No depreciation was recorded on the statement of revenues and expenses as the work was not complete and the property was not operational as of December 31, 2021. See note 7 for details.

6. **Deferred revenues**

The details of deferred revenues are as follows:

	Balance at December 31, 2020 $	Funds received in 2021 $	Transferred to revenue in 2021 $	Balance at December 31, 2021 $
Boys and Girls Clubs	**105,900**	**101,882**	**(160,782)**	**47,000**
Ontario Trillium Foundation	**61,752**	**179,500**	**(166,766)**	**74,486**
Ministry of Tourism		**561,620**	**(561,620)**	**-**
All others	**217,172**	**338,900**	**(338,780)**	**217,292**
	384,824	**1,181,902**	**(1,227,948)**	**338,778**

7. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of contributions received and used for the purchase of equipment and the construction of 101 Spruce Street Redevelopment project and the leasehold improvements of 2 Landcaster Avenue, as well as the contributions received for other capital purchases, but which have not yet been spent. Changes in the deferred capital contributions are as follows:

	2021 $	2020 $
Balance - at beginning of year	**1,272,670**	1,897,670
Capital contributions recognized as revenue during the year	**(645,113)**	(625,000)
Capital contributions received during the year	**384,766**	
Balance - at end of year	**1,012,323**	1,272,670

During the current fiscal year, the Clubs launched a capital fundraising campaign in connection with the leasehold improvements on 2 Lancaster Avenue and 101 Spruce Street. As of December 31, 2021, the Clubs raised $384,766 from the campaign and spent $197,660 in connection with the leasehold improvements at the 2 Lancaster Avenue property.

As of the date of these financial statements, the Clubs is in the process of finalizing the premise lease agreement of 2 Lancaster Avenue with the landlord.

8. Related party transactions

The Cabbagetown Youth Centre ("CYC") is a not-for-profit organization and a registered charity incorporated without share capital. The Clubs is related to CYC by virtue of common management and has the ability to exercise significant influence over CYC's financial and operating decisions through the Clubs' seating on the CYC's voting membership and board of directors.

During the year, CYC raised funds through its annual Blair's Run fundraising event and donated the proceeds of $50,821 ($Nil - 2020) to the Clubs.

Notes to Financial Statements (continued)

December 31, 2021

9. Government grants and other grants

The details of government and other grants are as follows:

	2021 $	2020 $
Human Resources Development Canada, Summer Career Placements	**84,931**	70,526
City of Toronto		
General and Recreational Grants Program	**53,835**	51,780
Community Services	**52,280**	53,280
Children's Services	**19,504**	9,752
Youth Empowering Youth	**85,906**	
Crisis Response	**25,106**	-
Ministry of Health Promotions, After School Program	**561,620**	533,500
Boys and Girls Club of Canada	**157,882**	103,250
Other miscellaneous grants	**328,737**	392,357
	1,369,801	1,214,445

10. Lease commitments

The Clubs has a lease for the premises at 101 Spruce Street expiring December 31, 2022. Under the lease agreement, the Clubs has the right of first refusal if the landlord decides to accept an offer to purchase the building. In addition, the Clubs has a lease for office equipment expiring February 2023.

The minimum annual lease payments for the remaining lease terms are as follows:

	Office equipment $	101 Spruce Street $
2021	**7,304**	**68,400**
2022	**1,217**	
	8,521	**68,400**

In addition to the minimum rent, the Clubs is required to pay the operating costs which amounted to $177,185 in 2021 ($157,317 - 2020).

Notes to Financial Statements (continued)

December 31, 2021

11. **Impact of global pandemic**

In March 2020, the global pandemic of the virus known as COVID-19 led the Canadian Federal government, as well as provincial and local governments, to impose measures, such as restricting foreign travel, mandating self-isolations, physical distancing and the closure of non-essential businesses. Although the normal course of operations has been affected to a certain degree by the development of the pandemic, the Clubs is able to run majority of the programs by adapting to the changed environment. Because of the high level of uncertainty related to the outcome of this pandemic, it is difficult to estimate the financial effect on the Clubs.

12. **Subsequent events**

Subsequent to the year end, the Clubs received the approval by the program funder, Public Health Agency of Canada ("PHAC") for the transfer of the Community Action Program for Children from Cabbagetown Youth Centre ("CYC") to the Clubs.

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