

TORONTO KIWANIS BOYS AND GIRLS CLUBS

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

Independent Auditor's Report	Page 1
Balance Sheet	2
Statement of Revenues and Expenses	3
Statement of Changes in Net Assets	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 to 10

INDEPENDENT AUDITOR'S REPORT

To the Members of
Toronto Kiwanis Boys and Girls Clubs

We have audited the accompanying financial statements of Toronto Kiwanis Boys and Girls Clubs, which comprise the balance sheet as at December 31, 2017 and the statements of revenues 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 qualified audit opinion.

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, 2017 and December 31, 2016, any adjustments might be necessary to revenues and excess (deficiency) 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, 2016.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Toronto Kiwanis Boys and Girls Clubs as at December 31, 2017 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.



Toronto, Ontario
May 16, 2018

Chartered Professional Accountants
Licensed Public Accountants

TORONTO KIWANIS BOYS AND GIRLS CLUBS

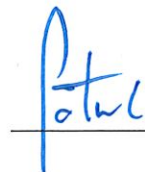
BALANCE SHEET

AS AT DECEMBER 31, 2017

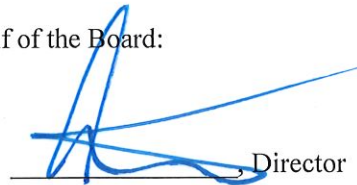
	2017	2016
ASSETS		
Current assets		
Cash	\$ 1,169,279	\$ 1,328,300
Grants receivable	13,688	46,313
HST rebate	36,942	31,120
Prepaid expenses	37,546	35,256
	<u>1,257,455</u>	<u>1,440,989</u>
Property and equipment (note 2)	2,988,684	3,600,997
	<u>4,246,139</u>	<u>5,041,986</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	110,892	136,578
Deferred revenues (note 3)	489,305	386,055
Loans payable (note 4)	250,000	782,500
	<u>850,197</u>	<u>1,305,133</u>
Deferred capital contributions (note 5)	3,109,634	3,531,269
	<u>3,959,831</u>	<u>4,836,402</u>
NET ASSETS		
Unrestricted net assets	36,308	205,584
Internally restricted		
Operating contingency fund	200,000	-
Capital reserve fund	50,000	-
	<u>286,308</u>	<u>205,584</u>
	<u>\$ 4,246,139</u>	<u>\$ 5,041,986</u>

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

Approved on behalf of the Board:



, Director



, Director

TORONTO KIWANIS BOYS AND GIRLS CLUBS

STATEMENT OF REVENUES AND EXPENSES

YEAR ENDED DECEMBER 31, 2017

	2017	2016
Revenues		
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	55,100	55,100
	<u>298,700</u>	<u>298,700</u>
Government and other grants (<i>note 6</i>)	1,163,123	1,241,828
United Way of Greater Toronto grant	289,468	289,468
Donations and fundraising	382,269	357,258
User fees	40,496	48,603
Amortization of capital contributions (<i>note 5</i>)	640,577	604,086
Other	72,214	51,270
	<u>2,886,847</u>	<u>2,891,213</u>
Expenses		
Salaries and benefits	1,427,298	1,492,848
Occupancy	208,133	227,639
Fundraising	35,438	33,859
Program	377,666	370,985
Interest on long-term debt	21,942	24,112
Depreciation	616,888	624,582
General and administrative	118,758	111,263
	<u>2,806,123</u>	<u>2,885,288</u>
Excess of revenues over expenses for the year	<u>\$ 80,724</u>	<u>\$ 5,925</u>

The accompanying notes are an integral part of these financial statements

TORONTO KIWANIS BOYS AND GIRLS CLUBS

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2017

2017	Unrestricted	Operating Contingency Fund	Capital Reserve Fund	Total
Balance - at beginning of year	\$ 205,584	\$ -	\$ -	\$ 205,584
Excess of revenues over expenses for the year	80,724	-	-	80,724
Inter-fund transfers representing				
Establishment of Operating Contingency Fund	(200,000)	200,000	-	-
Establishment of Capital Reserve Fund	(50,000)	-	50,000	-
Balance - at end of year	36,308	200,000	50,000	286,308

2016	Unrestricted	Operating Contingency Fund	Capital Reserve Fund	Total
Balance - at beginning of year	199,659	-	-	199,659
Excess of revenues over expenses for the year	5,925	-	-	5,925
Balance - at end of year	\$ 205,584	\$ -	\$ -	\$ 205,584

The accompanying notes are an integral part of these financial statements

TORONTO KIWANIS BOYS AND GIRLS CLUBS

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

	2017	2016
Cash flows from operating activities		
Cash receipts from The Kiwanis Club of Toronto sources	\$ 298,700	\$ 298,700
Cash receipts from government and other grants	1,588,466	1,465,701
Cash receipts from fundraising and donations	382,269	357,258
Cash receipts from other revenues	112,710	99,873
Cash paid to employees and suppliers	(2,197,814)	(2,221,768)
Interest paid	(25,219)	(28,649)
	159,112	(28,885)
Cash flows from financing activities		
Loan from the Kiwanis Club of Toronto	250,000	-
Contributions received for repayment of long term debt	-	225,000
Spruce St. Redevelopment project capital contributions received	218,942	137,141
Repayment of long term debt	(782,500)	(115,914)
	(313,558)	246,227
Purchase of property and equipment	(4,575)	-
Change in cash during the year	(159,021)	217,342
Cash - at beginning of year	1,328,300	1,110,958
Cash - at end of year	\$ 1,169,279	\$ 1,328,300

The accompanying notes are an integral part of these financial statements

TORONTO KIWANIS BOYS AND GIRLS CLUBS

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

NATURE OF OPERATIONS

Toronto Kiwanis Boys and Girls Clubs (the "Club") 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 Club 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Revenue Recognition

The Club 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.

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.

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

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 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 2017.

TORONTO KIWANIS BOYS AND GIRLS CLUBS

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets and Liabilities

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

Financial assets and liabilities measured at amortized cost include cash, grants receivable, accounts payable and accrued liabilities and loans payable.

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.

Contributed Goods and Services

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

Contributed goods and services consisted of food contributed to the Club. Contributed goods and services are recognized in the financial statements at their estimated fair value of \$13,200 (\$13,200 - 2016).

Operating Contingency Fund - internally restricted

At the direction of the Board, the Operating Contingency Fund has been established to allow for unbudgeted expenses. Any withdrawals are subject to Board Approval.

Capital Reserve Fund - internally restricted

At the direction of the Board, the Capital Reserve Fund has been established to allow for unbudgeted expenses of a capital nature. Any withdrawals are subject to Board Approval.

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, accrued liabilities and valuation of other assets and liabilities. Actual results could differ from these and other estimates, the impact of which would be recorded in future affected years.

TORONTO KIWANIS BOYS AND GIRLS CLUBS

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

2. PROPERTY AND EQUIPMENT

The details of property and equipment are as follows:

2017	Cost	Accumulated Depreciation	Net Book Value
Leasehold improvements - Spruce St. Redevelopment	\$ 6,564,925	\$ 3,579,672	\$ 2,985,253
Equipment	101,420	97,989	3,431
Vehicle	74,772	74,772	-
	\$ 6,741,117	\$ 3,752,433	\$ 2,988,684

2016	Cost	Accumulated Depreciation	Net Book Value
Leasehold improvements - Spruce St. Redevelopment	\$ 6,564,925	\$ 2,982,621	\$ 3,582,304
Equipment	96,845	96,845	-
Vehicle	74,772	56,079	18,693
	\$ 6,736,542	\$ 3,135,545	\$ 3,600,997

3. DEFERRED REVENUES

The details of deferred revenues are as follows:

	Balance at December 31, 2016	Funds Received in 2017	Transferred to Revenue in 2017	Balance at December 31, 2017
Boys and Girls Clubs	\$ 158,260	\$ 98,038	\$ (115,112)	\$ 141,186
Ontario Trillium Foundation	-	134,000	(28,283)	105,717
All others	227,795	324,264	(309,657)	242,402
	\$ 386,055	\$ 556,302	\$ (453,052)	\$ 489,305

4. LOANS PAYABLE

Details of loans payable are as follows:

	2017	2016
Credit facility with Ontario Infrastructure and Lands Corporation ("OILC") Non-revolving 5 year fixed rate term loan, interest at 3.5% per annum and principal payable semi-annually until maturity on November 15, 2017.	\$ -	\$ 782,500
Promissory Note with Toronto Kiwanis Foundation (TKF). 2 year fixed rate term loan, interest at 4.25% per annum and principal plus accrued interest payable semi-annually until maturity on November 1, 2019.	250,000	-
	\$ 250,000	\$ 782,500

TORONTO KIWANIS BOYS AND GIRLS CLUBS

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

4. LOANS PAYABLE (continued)

The payments on the term loan with OILC were based on a 10 year amortization and fully repaid on maturity date, November 15, 2017, with final discharge of the loan taking place on January 26, 2018.

5. 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 as well as the contributions received for capital purchases, but which have not yet been spent. Changes in the deferred capital contributions are as follows:

	2017	2016
Balance - at beginning of year	\$ 3,531,269	\$ 3,998,214
Capital contributions received - Spruce St. Redevelopment project	218,942	137,141
Capital contributions recognized as revenue during the year	(640,577)	(604,086)
Balance - at end of year	\$ 3,109,634	\$ 3,531,269

6. GOVERNMENT GRANTS AND OTHER GRANTS

The details of government and other grants are as follows:

	2017	2016
Human Resources Development Canada, Summer Career Placements	\$ 96,770	\$ 67,631
City of Toronto		
General and Recreational Grants Program	50,590	49,617
Community Services	48,070	47,098
Children's Services	19,504	19,504
Ministry of Health Promotions, After School Program	533,500	538,728
Boys and Girls Club of Canada	63,712	71,103
Amortization of deferred contributions	-	15,000
Other miscellaneous grants	350,977	433,147
	\$ 1,163,123	\$ 1,241,828

7. FINANCIAL INSTRUMENTS AND RISK EXPOSURE

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

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. Financial instruments subject to credit risk include cash and grants receivable. Credit risk with respect to cash is minimized by maintaining its cash accounts at Canadian banks with high reputation. The Club is not exposed to significant credit risk with respect to grants receivable as the Club received the grants subsequently.

TORONTO KIWANIS BOYS AND GIRLS CLUBS

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

7. FINANCIAL INSTRUMENTS AND RISK EXPOSURE (continued)

Liquidity Risk

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

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 Club is not exposed to currency or other price risk. The Club is mainly exposed to interest rate risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Club is exposed to interest rate risk on its long-term debt. Details of this long-term debt are disclosed in note 4.

Changes in Risk

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

8. LEASE COMMITMENTS

The Club has a lease agreement for its premises, which expires on December 31, 2019. Under the lease agreement, the Club has an option to renew the lease for an additional three years and the Clubs has the right of first refusal if the landlord decides to accept an offer to purchase the building. In addition, the Club has a lease for office equipment which expires on December 31, 2020.

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

	<i>Office Equipment</i>	<i>101 Spruce Street</i>
2018	\$ 21,261	\$ 68,400
2019	21,261	68,400
2020	21,261	-
	<u>\$ 63,783</u>	<u>\$ 136,800</u>

In addition to the minimum rent, the Club is required to pay the operating costs which amounted to \$142,985 in 2017 (\$165,524 - 2016).

9. COMPARATIVE FIGURES

In conformity with the presentation adopted in the current year, certain comparative figures on the balance sheet and the statement of changes in net assets have been reclassified.