

TORONTO KIWANIS BOYS AND GIRLS CLUBS
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Toronto Kiwanis Boys and Girls Clubs

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of Toronto Kiwanis Boys and Girls Clubs (the "Clubs"), which comprise the balance sheet as at December 31, 2018 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 effects of the matter in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Clubs as at December 31, 2018, 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, 2018 and December 31, 2017, 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, 2017.

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 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 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.

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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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.

Toronto, Ontario
May 15, 2019

Chartered Professional Accountants
Licensed Public Accountants

TORONTO KIWANIS BOYS AND GIRLS CLUBS


BALANCE SHEET

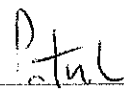
AS AT DECEMBER 31, 2018

	2018	2017
ASSETS		
Current assets		
Cash	\$ 874,415	\$ 1,169,279
Grants receivable	16,236	13,688
HST rebate	37,597	36,942
Prepaid expenses	44,485	37,546
	972,733	1,257,455
Property and equipment (note 3)	2,409,050	2,988,684
	3,381,783	4,246,139
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	120,432	110,892
Deferred revenues (note 4)	323,922	489,305
Loans payable (note 5)	-	250,000
	444,354	850,197
Deferred capital contributions (note 6)	2,530,227	3,109,634
	2,974,581	3,959,831
NET ASSETS		
Unrestricted net assets	17,202	36,308
Internally restricted		
Operating contingency fund	300,000	200,000
Capital reserve fund	90,000	50,000
	407,202	286,308
	\$ 3,381,783	\$ 4,246,139

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, 2018

	2018	2017
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	73,100	55,100
	<u>316,700</u>	<u>298,700</u>
Government and other grants <i>(note 7)</i>	1,291,465	1,163,123
United Way of Greater Toronto grant	289,471	289,468
Donations and fundraising	428,969	382,269
User fees	128,309	40,496
Amortization of capital contributions <i>(note 6)</i>	627,557	640,577
Other income	73,906	72,214
	<u>3,156,377</u>	<u>2,886,847</u>
Expenses		
Salaries and benefits	1,591,250	1,427,298
Occupancy	229,108	208,133
Fundraising	29,805	35,438
Program	463,108	377,666
Interest on loans	5,313	21,942
Depreciation	598,195	616,888
General and administrative	118,704	118,758
	<u>3,035,483</u>	<u>2,806,123</u>
Excess of revenues over expenses for the year	\$ 120,894	\$ 80,724

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, 2018

2018	Unrestricted	Operating Contingency Fund	Capital Reserve Fund	Total
Balance - at beginning of year	\$ 36,308	\$ 200,000	\$ 50,000	\$ 286,308
Excess of revenues over expenses for the year	120,894	-	-	120,894
Inter-fund transfers representing				
Transfer to Operating Contingency Fund	(100,000)	100,000	-	-
Transfer to Capital Reserve Fund	(40,000)	-	40,000	-
Balance - at end of year	17,202	300,000	90,000	407,202

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
Establishment of Operating Contingency Funds	(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

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, 2018

	2018	2017
Cash flows from operating activities		
Cash receipts from The Kiwanis Club of Toronto sources	\$ 316,700	\$ 298,700
Cash receipts from government and other grants	1,413,006	1,588,466
Cash receipts from fundraising and donations	557,278	382,269
Cash receipts from other revenues	73,906	112,710
Cash paid to employees and suppliers	(2,430,030)	(2,197,814)
Interest paid	(5,313)	(25,219)
	<u>(74,453)</u>	<u>159,112</u>
Cash flows from financing activities		
Capital contributions received	48,150	218,942
Loan from the Kiwanis Club of Toronto (repayment)	(250,000)	250,000
Repayment of long term debt	-	(782,500)
	<u>(201,850)</u>	<u>(313,558)</u>
Cash flows from investing activity		
Purchase of property and equipment	(18,561)	(4,575)
	<u>(18,561)</u>	<u>(4,575)</u>
Change in cash during the year	<u>(294,864)</u>	<u>(159,021)</u>
Cash - at beginning of year	1,169,279	1,328,300
Cash - at end of year	<u>\$ 874,415</u>	<u>\$ 1,169,279</u>

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, 2018

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.

1. SUMMARY OF 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:

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.

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.

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 2018.

TORONTO KIWANIS BOYS AND GIRLS CLUBS

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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.

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.

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.

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.

TORONTO KIWANIS BOYS AND GIRLS CLUBS

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$13,200 (\$13,200 - 2017) that would otherwise be purchased by the Clubs. The amount was recognized in donations.

Operating Contingency Fund - internally restricted

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

Capital Reserve Fund - internally restricted

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

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.

2. FINANCIAL INSTRUMENTS AND RISK EXPOSURE

The Clubs is exposed to various risks through its financial instruments. The following analysis provides a measure of the Clubs 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 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.

TORONTO KIWANIS BOYS AND GIRLS CLUBS

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

2. FINANCIAL INSTRUMENTS AND RISK EXPOSURE (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 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 Clubs is exposed to interest rate risk with respect to its interest bearing financial instruments being cash held in the bank and loan payable. The Clubs is not exposed to significant interest rate risk with respect to its cash held at bank. During the year, the Clubs fully repaid the loan. Details of this loan payable are disclosed in note 5.

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. PROPERTY AND EQUIPMENT

The details of property and equipment are as follows:

<i>2018</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value</i>
Leasehold improvements	\$ 6,572,100	\$ 4,176,723	\$ 2,395,377
Equipment	112,806	99,133	13,673
Vehicle	74,772	74,772	-
	\$ 6,759,678	\$ 4,350,628	\$ 2,409,050

<i>2017</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value</i>
Leasehold improvements	\$ 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

TORONTO KIWANIS BOYS AND GIRLS CLUBS

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

4. DEFERRED REVENUES

The details of deferred revenues are as follows:

	<i>Balance at December 31, 2017</i>	<i>Funds Received in 2018</i>	<i>Transferred to Revenue in 2018</i>	<i>Balance at December 31, 2018</i>
Boys and Girls Clubs	\$ 141,186	\$ 57,900	\$ (134,644)	\$ 64,442
Ontario Trillium Foundation	105,717	64,700	(120,254)	50,163
All others	242,402	258,726	(291,811)	209,317
	\$ 489,305	\$ 381,326	\$ (546,709)	\$ 323,922

5. LOANS PAYABLE

Details of loans payable are as follows:

	<i>2018</i>	<i>2017</i>
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
	\$ -	\$ -

The Loan was fully repaid and discharged in June 2018.

6. 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:

	<i>2018</i>	<i>2017</i>
Balance - at beginning of year	\$ 3,109,634	\$ 3,531,269
Capital contributions received - Spruce St. Redevelopment project	28,150	218,942
Capital contributions received - Spruce St. music studio	20,000	-
Capital contributions recognized as revenue during the year	(627,557)	(640,577)
Balance - at end of year	\$ 2,530,227	\$ 3,109,634

TORONTO KIWANIS BOYS AND GIRLS CLUBS

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

7. GOVERNMENT GRANTS AND OTHER GRANTS

The details of government and other grants are as follows:

	2018	2017
Human Resources Development Canada, Summer Career Placements	\$ 101,179	\$ 96,770
City of Toronto		
General and Recreational Grants Program	51,627	50,590
Community Services	49,108	48,070
Children's Services	19,504	19,504
Ministry of Health Promotions, After School Program	550,301	533,500
Boys and Girls Club of Canada	78,394	63,712
Other miscellaneous grants	441,352	350,977
	<u>\$ 1,291,465</u>	<u>\$ 1,163,123</u>

8. LEASE COMMITMENTS

The Clubs has a lease agreement for its premises, which expires on December 31, 2019. Under the lease agreement, the Clubs 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 Clubs has a lease for office equipment which expires in February 2023.

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

	Office Equipment	101 Spruce Street
2019	\$ 7,304	\$ 68,400
2020	7,304	-
2021	7,304	-
2022	7,304	-
2023	1,217	-
	<u>\$ 30,433</u>	<u>\$ 68,400</u>

In addition to the minimum rent, the Clubs is required to pay the operating costs which amounted to \$156,819 in 2018 (\$142,985 - 2017).

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