Grant Thornton

Financial Statements

Boys and Girls Clubs of South Coast BC

March 31, 2019

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Independent Auditor's Report

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To the Board of Directors of
Boys and Girls Clubs of South Coast BC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Boys and Girls Clubs of South Coast BC (the "Agency"), which comprise the balance sheet as at March 31, 2019, and the statements of revenue and expense and changes in fund balance and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Boys and Girls Clubs of South Coast BC as at March 31, 2019, and its results of operations and its 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Agency 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 opinion.

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, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Agency'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 Agency or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Agency's financial reporting process.

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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 these 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 Agency'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 Agency's ability 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 Agency 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.

Report on other legal and regulatory requirements

As required by the Societies Act of British Columbia, we report that, in our opinion, these accounting principles have been applied on a basis consistent with that of the preceding year.

Grant Thornton LLP

Vancouver, Canada
June 17, 2019

Chartered Professional Accountants

Boys and Girls Clubs of South Coast BC
Balance Sheet

March 31		2019		2018
Assets				
Current				
Cash and cash equivalents	**$**	**363,960**	$	100,385
Receivables				
BGC Foundation of South Coast BC (Note 8)		**815,086**		791,345
Other receivables (Note 3)		**406,870**		349,414
Prepaid expenses		**23,687**		11,138
		1,609,603		1,252,282
Property and equipment (Note 4)		**2,137,701**		1,949,344
	$	**3,747,304**	$	3,201,626
Liabilities				
Current				
Bank indebtedness (Note 5)	**$**	**638,058**	$	664,237
Payables and accruals		**748,809**		395,383
Deferred revenue (Note 6)		**353,387**		276,572
		1,740,254		1,336,192
Deferred contributions related to property and equipment (Note 7)		**383,496**		274,704
		2,123,750		1,610,896
Fund balance				
General fund		**1,623,554**		1,590,730
	$	**3,747,304**	$	3,201,626

Commitments (Note 11)

On behalf of the Board

Director

Director

See accompanying notes to the financial statements.

Boys and Girls Clubs of South Coast BC
Statements of Revenue and Expense and Changes in Fund Balance

Year ended March 31	2019	2018
Revenue		
Program fees and memberships	$ 1,267,889	$ 1,298,653
Government	6,535,816	6,368,305
Gaming	246,560	233,782
United Way	571,395	559,300
Rental, deferred and other	439,647	459,806
	9,061,307	8,919,846
Expense		
Salaries and benefits (Note 9)	6,793,310	6,750,615
Building occupancy (Note 8)	862,010	941,946
Office	227,197	276,042
Program supplies	636,560	458,114
Employment participants and partners (Note 12)	1,988,767	1,916,663
Transportation	336,915	317,168
Insurance, professional fees and other	400,020	465,467
	11,244,779	11,126,015
Deficiency of revenue over expense from operations	(2,183,472)	(2,206,169)
The Foundation administration allocation (Note 8)	120,000	120,000
Annual grant from The Foundation (Note 8)	2,272,000	2,200,000
Excess of revenue over expense before other items	208,528	113,831
Other items		
Amortization of property and equipment	(312,036)	(314,879)
Amortization of deferred contributions related to property and equipment (Note 7)	136,332	191,888
Excess (deficiency) of revenue over expense	$ 32,824	$ (9,160)

Fund balance, beginning of year	$ 1,590,730	$ 1,599,890
Excess (deficiency) of revenue over expense	32,824	(9,160)
Fund balance, end of year	$ 1,623,554	$ 1,590,730

Boys and Girls Clubs of South Coast BC
Statement of Cash Flows

Year ended March 31		2019		2018
Cash provided by (used in)				
Operating				
Excess (deficiency) of revenue over expense	**$**	**32,824**	$	(9,160)
Amortization of property and equipment		**312,036**		314,879
Amortization of deferred contributions related to property and equipment		**(136,332)**		(191,888)
		208,528		113,831
Change in non-cash working capital items				
Receivable from The Foundation		**(23,741)**		(183,533)
Other receivables		**(57,456)**		(31,889)
Prepaid expenses		**(12,549)**		(4,993)
Payables and accruals		**112,302**		150,150
Deferred revenue		**76,815**		33,895
		303,898		77,461
Financing				
Deferred contributions related to property and equipment		**245,124**		2,000
Repayment of bank indebtedness		**(26,179)**		(41,008)
		218,945		(39,008)
Investing				
Purchase of property and equipment		**(259,268)**		(43,031)
Net increase (decrease) in cash and cash equivalents		**263,575**		(4,578)
Cash and cash equivalents, beginning of year		**100,385**		104,963
Cash and cash equivalents, end of year	**$**	**363,960**	$	100,385

Supplementary cash flow information:

Non-cash investing activities				
Acquisitions of property and equipment remaining in payables	**$**	**241,125**	$	-

1. Purposes of the Agency

The Boys and Girls Clubs of South Coast BC (the "Agency") is incorporated under the Societies Act of British Columbia and is a registered charity under the Income Tax Act. The Agency was formed as a result of the amalgamation of Boys & Girls Club Community Services of Delta/Richmond and Boys' and Girls' Clubs of Greater Vancouver.

The purpose of the Agency is to provide children, youth, families and adults with opportunities to develop skills, knowledge and values they need to fulfill their potential, through a continuum of prevention, intervention, developmental and social recreational programs.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The following are significant accounting policies applied by the Agency:

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with bank and short-term deposits which can be readily converted to cash.

Property and equipment

Property and equipment is recorded at cost less accumulated amortization. The Agency charges amortization over the remaining economic lives of these assets as follows:

Buildings	2 to 25 years, Straight-line
Equipment	1 to 3 years, Straight-line
Computer software and hardware	1 to 5 years, Straight-line
Vehicles	1 to 8 years, Straight-line
Leasehold improvements	5 to 25 years, Straight-line

Revenue recognition

The Agency follows the deferral method of accounting for government, gaming and United Way revenue. Restricted revenue is recognized as revenue in the year in which the related expenses are incurred. Unrestricted revenue is recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated, and collection is reasonably assured. Funds relating to property and equipment which are committed to specific purposes represent restricted contributions that are recognized as income on the same basis that the related asset is amortized.

Program fees and memberships revenue are recorded when received.

Rental revenue is recorded based upon the term of the arrangement.

2. Summary of significant accounting policies (continued)

Gifts in kind

Donations of products which the Agency would otherwise have purchased are recognized as revenue at their fair market value. In kind donations of products of $10,415 (2018 - $29,564) have been recorded in the financial statements.

The Agency receives contributed services, including significant time contributed by volunteers and use of an educational institution's space for one of the programs, which are not recognized in the financial statements due to the difficulty in determining the fair market value of such contributions.

Financial instruments

The Agency's financial instruments are measured at fair value when issued or acquired.

At each reporting date, the Agency measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of a financial asset). The financial instruments measured at amortized cost are cash and cash equivalents, Foundation receivables, other receivables, bank indebtedness, and payables and accruals.

For financial instruments measured at cost or amortized cost, the Agency regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Agency determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of revenue and expense. Any reversals of previously recognized impairment losses are recognized in revenue and expense in the year the reversal occurs.

Use of estimates

When preparing the financial statements, management is required to make estimates and assumptions that could affect the reported amounts. Items subject to significant management estimates include useful life of property and equipment and the valuation of gifts in kind. These estimates affect the reported amounts of amortization of property and equipment, amortization of deferred contributions related to property and equipment, recognition of revenue, and the balance sheet amounts of property and equipment and deferred capital contributions related to property and equipment. Actual results could differ from those reported.

3. Other receivables

	2019	2018
Employment programs	**$ 300,774**	$ 307,692
Other	**106,096**	41,722
	$ 406,870	$ 349,414

4. Property and equipment

	Land	Buildings and Leasehold Improvements	Equipment and Computer Software and Hardware	Vehicles	Total
Cost					
March 31, 2018	$ 1,029,000	$ 5,033,003	$ 683,644	$ 196,926	$ 6,942,573
Additions	-	466,538	33,855	-	500,393
March 31, 2019	**$ 1,029,000**	**$ 5,499,541**	**$ 717,499**	**$ 196,926**	**$ 7,442,966**
Accumulated amortization					
March 31, 2018	$	$ 4,177,032	$ 641,705	$ 174,492	$ 4,993,229
Amortization	-	262,215	44,836	4,985	312,036
March 31, 2019	**$ -**	**$ 4,439,247**	**$ 686,541**	**$ 179,477**	**$ 5,305,265**
Net carrying value 2018	$ 1,029,000	$ 855,971	$ 41,939	$ 22,434	$ 1,949,344
Net carrying value 2019	**1,029,000**	**1,060,294**	**30,958**	**17,449**	**2,137,701**

Included under buildings and leasehold improvements are construction in progress at the cost of $475,784 (2018 - $24,088) relating to the Agency's Camp Potlach wharf. As the assets are not ready for use, no depreciation has been taken as of March 31, 2019.

5. Bank indebtedness

	2019	2018
Line of credit	**$ 322,357**	$ 492,658
Bank indebtedness	**315,701**	171,579
	$ 638,058	$ 664,237

The Agency has an approved line of credit of $700,000 bearing interest at prime rate plus 0.75% per annum which is collateralized by land and buildings with a net book value of $1,129,065 at March 31, 2019. As of March 31, 2019, the Agency had utilized $322,357 (2018 - $492,658) under this facility.

6. Deferred revenue

Deferred revenue represents funds received for programs which have not been delivered as at March 31, 2019.

7. Deferred contributions related to property and equipment

Deferred revenue related to property and equipment represents funds donated for specific capital projects and is recognized as revenue over the same period as the property and equipment is amortized.

	2019	2018
Balance, beginning of year	**$ 274,704**	$ 464,592
Additional funds received during the year	**245,124**	2,000
Recognized as revenue during the year	**(136,332)**	(191,888)
Balance, end of year	**$ 383,496**	$ 274,704

8. Related party transactions

During the year, BGC Foundation of South Coast BC ("The Foundation") contributed $2,272,000 (2018 - $2,200,000) to the Agency.

Based on a formal agreement between the Agency and The Foundation Boards, The Foundation paid an administration allocation of $120,000 (2018 - $120,000) to the Agency. This allocation represents The Foundation's share of the salaries and administration costs that are incurred and paid by the Agency on behalf of The Foundation.

During the year, the Agency paid rent expense of $126,000 (2018 - $126,000) for leasing Camp Potlatch from The Foundation.

The receivable from the Foundation of $815,086 (2018 - $791,345) is non-interest bearing without set terms of repayment.

9. Pension obligations

The Agency and certain of its employees contribute to the Pension Plan of the United Way of the Lower Mainland. This is a multi-employer defined benefit pension plan providing pension benefits to all eligible employees of the United Way and its member agencies who participate in the plan. Participating agencies contribute to the plan as required to provide for the normal cost of benefits currently accruing to employees, and to provide for amortization of any unfunded liabilities and/or solvency deficiencies.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year. This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

An actuarial valuation is carried out every three years. The last actuarial valuation was prepared as of December 31, 2016. At December 31, 2016, the pension plan had a solvency deficit that was 238% more than at December 31, 2013. The Agency contributions are 175% of employee contributions and employees are contributing an extra 1.2% of pay.

9. Pension obligations (continued)

The Agency's contributions to the defined benefit plan for its employees amounted to $261,052 (2018 - $277,674) and are included as part of salaries and benefits.

In addition, the Agency contributes to a defined contribution plan for certain of its employees. The total contributions to this plan for the year ended March 31, 2019 is $20,525 (2018 - $21,995) and are included as part of salaries and benefits.

10. Financial instruments

The Agency is not exposed to significant interest, currency or credit risk arising from these financial instruments.

Carrying amount of financial assets measured at amortized cost	**2019**	2018
Total current assets	**$ 1,609,603**	$ 1,252,282
Less prepaid expenses	**(23,687)**	(11,138)
	$ 1,585,916	$ 1,241,144

Carrying amount of financial liabilities measured at amortized cost		
Total current liabilities	**$ 1,740,254**	$ 1,336,192
Less deferred revenue	**(353,387)**	(276,572)
	$ 1,386,867	$ 1,059,620

11. Commitments

The Agency leases the premises of the Kivan/Kimount Clubs from the City of Vancouver and the Vancouver Board of Parks and Recreation at nominal annual rents and the leases expired in January 2010. The Agency is currently negotiating new leases with the City of Vancouver.

The Agency leases Camp Potlatch from The Foundation. The Agency is committed to leasing the Camp until 2026 at an annual rent of $126,000 plus operating costs.

During the year, the Agency entered into various leases for premises expiring in 2024.

11. Commitments (continued)

Minimum lease payments for the next five years and thereafter are as follows:

	Equipment	Janitorial	Premises
2020	$ 12,058	$ 9,872	$ 406,985
2021	2,549	-	436,043
2022	-	-	406,798
2023	-	-	206,093
2024	-	-	196,241
Thereafter	-	-	279,372

12. Employment participants and partners

The agreement for the WorkBC Delta program with the Province of British Columbia to provide employment services ended March 31, 2019. The program provided assistance to participants of the program such as, but not limited to travel, food, living allowance, training or tuition fees, and supplies during their process of searching for employment. Expenses were recognized in the same period funds are paid to the participants.

Revenue recognized during the year related to this contract amounted to $2,730,835 (2018 - $2,803,454).

13. Disclosure required under the Societies Act

On November 28, 2016 the Societies Act of British Columbia came to force. Included in the new Act is a requirement to disclose the remuneration paid to all directors, the ten highest paid employees and all contractors who are paid at least $75,000 annually.

During the year, the Agency paid $541,537 in remuneration to five people who are employees, whose remuneration, during the applicable period, was at least $75,000. No remuneration was paid to directors of the Agency.