

Boys and Girls Clubs of Winnipeg Inc.
Financial Statements
December 31, 2014

Independent Auditors' Report

To the Board of Directors of Boys and Girls Clubs of Winnipeg Inc.:

We have audited the accompanying financial statements of Boys and Girls Clubs of Winnipeg Inc., which comprise the statement of financial position as at December 31, 2014 and the statement of operations and changes in net assets, cash flows and schedule 1 – special projects for the year ended December 31, 2014 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.

Auditors' 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 auditors' 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 not-for-profit organizations, the Agency derives a significant portion of its revenues from fundraising initiatives, 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 the Agency and were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, assets and net assets.

Qualified Opinion

In our opinion, except for the effects of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves with respect to the completeness of revenue, as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of Boys and Girls Clubs of Winnipeg Inc. as at December 31, 2014 and the results of its operations, changes in net assets and its cash flows for the year ended December 31, 2014 in accordance with Canadian accounting standards for not-for-profit organizations.

Winnipeg, Manitoba

March 26, 2015

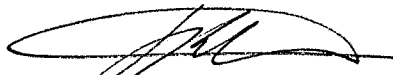
MNP LLP
Chartered Accountants

Boys and Girls Clubs of Winnipeg Inc.
Statement of Financial Position

As at December 31, 2014

| | Operating Fund | Capital Fund | 2014 | 2013 <i>(Restated)</i> |
|--|-------------------|-----------------|-----------|---------------------------|
| Assets | | | | |
| Current | | | | |
| Cash and equivalents (Note 4) | 1,378,933 | 20,853 | 1,399,786 | 1,424,502 |
| Accounts receivable (Note 5) | 46,922 | - | 46,922 | 93,116 |
| Prepaid expenses | 20,286 | - | 20,286 | 11,754 |
| Scholarship trust asset (Note 6) | 1,000 | - | 1,000 | - |
| | 1,447,141 | 20,853 | 1,467,994 | 1,529,372 |
| Capital assets (Note 7) | - | 206,652 | 206,652 | 200,211 |
| Investments (Note 8) | 49,984 | - | 49,984 | - |
| Investments - restricted (Notes 9, 12) | 504,012 | - | 504,012 | 394,750 |
| Scholarship trust assets | - | - | - | 2,000 |
| | 2,001,137 | 227,505 | 2,228,642 | 2,126,333 |
| Liabilities | | | | |
| Current | | | | |
| Accounts payable and accrued expenses (Note 10) | 70,315 | - | 70,315 | 132,476 |
| Deferred contributions (Note 11) | 711,160 | - | 711,160 | 723,567 |
| Scholarship trust liability (Note 6) | 1,000 | - | 1,000 | - |
| | 782,475 | - | 782,475 | 856,043 |
| Deferred contributions - restricted (Notes 9, 12) | 504,012 | - | 504,012 | 394,750 |
| Deferred contributions - capital (Note 13) | - | 125,777 | 125,777 | 138,946 |
| Scholarship trust liabilities | - | - | - | 2,000 |
| | 1,286,487 | 125,777 | 1,412,264 | 1,391,739 |
| Net Assets | | | | |
| Fund Balances | | | | |
| Invested in capital assets | - | 101,728 | 101,728 | 127,196 |
| Unrestricted net assets | 714,650 | - | 714,650 | 607,398 |
| | 714,650 | 101,728 | 816,378 | 734,594 |
| | 2,001,137 | 227,505 | 2,228,642 | 2,126,333 |

Approved on behalf of the Board


Board Chair


Treasurer

The accompanying notes are an integral part of these financial statements

Boys and Girls Clubs of Winnipeg Inc.
Statement of Operations

For the year ended December 31, 2014

| | <i>Operating Fund</i> | <i>Capital Fund</i> | 2014 | 2013 <i>(Restated)</i> |
|--|---------------------------|-------------------------|------------------|----------------------------------|
| Revenues | | | | |
| Operating contributions | | | | |
| Province of Manitoba | 448,900 | - | 448,900 | 448,900 |
| United Way | 537,373 | - | 537,373 | 512,397 |
| City of Winnipeg | 118,148 | - | 118,148 | 119,848 |
| Amortization of deferred contributions - capital | - | 27,169 | 27,169 | 15,827 |
| Special projects support and administration | 321,811 | - | 321,811 | 425,558 |
| Gain on sale of van | - | 2,000 | 2,000 | 4,417 |
| Fundraising | 66,626 | - | 66,626 | 88,691 |
| Interest | 16,892 | - | 16,892 | 13,838 |
| Unrealized gain on investments | 2,429 | - | 2,429 | - |
| Donations | 70,221 | - | 70,221 | 103,474 |
| Special projects <i>(Schedule 1)</i> | 2,855,154 | - | 2,855,154 | 2,952,578 |
| | 4,437,554 | 29,169 | 4,466,723 | 4,685,528 |
| Expenses | | | | |
| Amortization | - | 54,637 | 54,637 | 45,577 |
| Facilities | 93,747 | - | 93,747 | 98,981 |
| Fundraising | 13,708 | - | 13,708 | 28,897 |
| General | 106,472 | - | 106,472 | 212,501 |
| Programming and supplies | 90,072 | - | 90,072 | 91,737 |
| Public relations | - | - | - | 1,171 |
| Salaries and benefits | 1,128,428 | - | 1,128,428 | 1,080,496 |
| Staff training | 14,280 | - | 14,280 | 11,214 |
| Transportation | 39,467 | - | 39,467 | 40,789 |
| Special projects <i>(Schedule 1)</i> | 2,844,128 | - | 2,844,128 | 2,938,807 |
| | 4,330,302 | 54,637 | 4,384,939 | 4,550,170 |
| Excess (deficiency) of revenues over expenses | 107,252 | (25,468) | 81,784 | 135,358 |

The accompanying notes are an integral part of these financial statements

Boys and Girls Clubs of Winnipeg Inc.
Statement of Changes in Net Assets
For the year ended December 31, 2014

| | <i>Operating Fund</i> | <i>Capital Fund</i> | 2014 | <i>2013 (Restated)</i> |
|--|---------------------------|-------------------------|------------------|----------------------------|
| Net assets, beginning of year, as previously stated | 607,398 | 266,142 | 873,540 | 599,236 |
| Prior period adjustment (Note 3) | - | (138,946) | (138,946) | - |
| Net assets, beginning of year as restated | 607,398 | 127,196 | 734,594 | 599,236 |
| Excess (deficiency) of revenues over expenses | 107,252 | (25,468) | 81,784 | 135,358 |
| Net assets, end of year | 714,650 | 101,728 | 816,378 | 734,594 |

The accompanying notes are an integral part of these financial statements

Boys and Girls Clubs of Winnipeg Inc.
Statement of Cash Flows

For the year ended December 31, 2014

| | 2014 | 2013 <i>(Restated)</i> |
|---|-----------|---------------------------|
| Cash provided by (used for) the following activities | | |
| Operating activities | | |
| Excess of revenues over expenses | 81,784 | 135,358 |
| Amortization | 54,637 | 45,577 |
| Gain on disposal of capital asset | (2,000) | (4,417) |
| | 134,421 | 176,518 |
| Changes in working capital accounts | | |
| Accounts receivable | 46,194 | (31,826) |
| Prepaid expenses | (8,533) | 12,596 |
| Accounts payable and accrued expenses | (62,161) | (10,692) |
| Deferred contributions | (12,407) | 24,939 |
| Deferred contributions - restricted | 109,261 | 56,670 |
| Deferred contributions - capital | (13,169) | 138,946 |
| | 59,185 | 190,633 |
| Investing activities | | |
| Purchase of capital assets | (61,077) | (210,184) |
| Purchase of investments | (49,984) | - |
| Purchase of investments - restricted | (95,026) | (14,307) |
| Unrealized gain on investments - restricted | (14,235) | (42,363) |
| Proceeds from disposal of capital asset | 2,000 | 4,417 |
| | (218,322) | (262,437) |
| Increase (decrease) in cash resources | (24,716) | 104,714 |
| Cash and equivalents, beginning of year | 1,424,502 | 1,319,788 |
| Cash and equivalents, end of year | 1,399,786 | 1,424,502 |

The accompanying notes are an integral part of these financial statements

Boys and Girls Clubs of Winnipeg Inc.
Notes to the Financial Statements
For the year ended December 31, 2014

1. Incorporation and nature of the organization

Boys and Girls Clubs of Winnipeg Inc. (the "Agency") was incorporated under the laws of Manitoba on January 27, 1977.

The Agency operates activity centres and employment programs for children and youth within Winnipeg, Manitoba. Effective July 7, 2005 the Agency changed its name from Winnipeg Boys and Girls Clubs Inc. to Boys and Girls Clubs of Winnipeg Inc.

The Agency is a not-for-profit organization and a Canadian registered charity under the Income Tax Act (the "Act") and as such is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Agency must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Fund accounting

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Agency, the accounts are maintained on a fund accounting basis. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the contributors or in accordance with the directives issued by the Board of Directors.

Two funds are maintained - Operating Fund and Capital Fund.

The Operating Fund is used to account for all revenue and expenditures related to general and ancillary operations of the Agency.

The Capital Fund is used to account for all capital assets of the Agency and to present the flow of funds related to their acquisition and disposal, unexpended capital resources and debt commitments.

Cash and cash equivalents

Cash and cash equivalents include balances with banks, term deposits and a corporate bond fund that are available for prompt liquidation.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined. Fair value is determined based on market rates and the date of contribution for similar goods and services.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

| | |
|------------------------|---------|
| Automotive | 5 years |
| Leasehold improvements | 7 years |
| Office equipment | 3 years |

2. **Significant accounting policies** *(continued from previous page)*

Investments

Long-term investments are portfolio investments recorded at fair value for those with prices quoted in an active market, and cost less impairment for those that are not quoted in an active market. They have been classified as long-term assets in concurrence with the nature of the investment.

Revenue recognition

The Agency uses the deferral method of accounting for contributions and reports on a fund accounting basis. Restricted contributions which primarily include grants from other funding agencies are recognized as revenue in the year in which the related expenses are incurred and all relevant terms of the funding agreement are met. Deferred contributions reported relate to funding received in the current period that is in respect of program expenses to be incurred in future periods. Deferred contributions related to capital assets represent the unamortized portion of funding contributions for capital assets. Recognition of these amounts as revenue is deferred and recognized as revenue when the related capital assets are amortized.

Contributed services and materials

Volunteers contribute a large number of hours per year to assist the Agency in carrying out its service delivery activities. Because of the difficulty of determining the number of hours donated and the fair value, contributed services are not recognized in the financial statements.

Contributed materials are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when materials are used in the normal course of the Agency's operations and would otherwise have been purchased.

Measurement uncertainty (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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

Non-monetary transactions

The Agency enters into agreements with certain customers from whom the Agency acquires good and services. Transactions involving the exchange of monetary consideration representing 10% or greater of the fair value of the arrangement are considered to be monetary transactions. Non-monetary transactions, for which the Agency's future cash flows have been significantly affected ("commercial substance"), are recorded at the fair value of the assets given up or received, whichever is more reliably measureable. Non-monetary transactions are measured at carrying value when the transaction:

- lacks commercial substance;
- is an exchange of a product or property held for sale in the ordinary course of business to be sold in same line of business to facilitate sales to customers other than the parties in the exchange;
- for which neither the fair value of assets received or given up can be reliably measured; or
- non-monetary non-reciprocal transfers to owners in restructurings or liquidations

Boys and Girls Clubs of Winnipeg Inc.
Notes to the Financial Statements

For the year ended December 31, 2014

2. Significant accounting policies *(continued from previous page)*

Long-lived assets

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Agency performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in earnings for the year.

Financial instruments

The Agency recognizes its financial instruments when the Agency becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the Agency may irrevocably elect to subsequently measure any financial instrument at fair value. The Agency has not made such an election during the year.

The Agency subsequently measures investments in equity instruments quoted in an active market and all derivative instruments at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market are subsequently measured at cost less impairment. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at amortized cost or cost.

3. Prior period adjustment

During the year, it was determined that in the prior year, revenue related to capital contributions in the amount of \$154,773 was fully recognized in income rather than being deferred and amortized to revenue when the related capital assets are amortized. The impact of this correction is as follows:

Statement of Financial Position, as at December 31, 2013

| | <i>As previously stated</i> | <i>Adjustment</i> | <i>As restated</i> |
|--|--|--------------------------|---------------------------|
| Deferred contributions - capital | - | (138,946) | (138,946) |
| Fund balances - invested in capital assets | 266,142 | (138,946) | 127,196 |

Statement of Operations and Changes in Net Assets for the year ended December 31, 2013

| | <i>As previously stated</i> | <i>Adjustment</i> | <i>As restated</i> |
|----------------------------------|--|--------------------------|---------------------------|
| Capital contributions | (154,773) | 138,946 | (15,827) |
| Excess of revenues over expenses | 274,304 | (138,946) | 135,358 |

Boys and Girls Clubs of Winnipeg Inc.
Notes to the Financial Statements
For the year ended December 31, 2014

4. Cash and equivalents

| | <i>2014</i> | <i>2013</i> |
|---------------------|-------------|-------------|
| Cash | 1,399,786 | 1,375,397 |
| Corporate bond fund | - | 49,105 |
| | 1,399,786 | 1,424,502 |

5. Accounts receivable

| | <i>2014</i> | <i>2013</i> |
|------------------------------------|-------------|-------------|
| Trade receivables | 39,127 | 83,272 |
| Goods and Services Tax recoverable | 7,795 | 9,844 |
| | 46,922 | 93,116 |

Management believes all amounts are fully collectible and accordingly no provision for doubtful or uncollectible accounts is recorded.

6. Scholarship trust asset

Included in scholarship trust asset is a guaranteed investment certificate with an interest rate of 4.3%, maturing November 2015. The trust was established in 2005 through a donation from a board member and their family, to provide annual scholarships of \$1,000 to designated recipients for post-secondary studies until such time as the assets have been distributed.

7. Capital assets

| | <i>Cost</i> | <i>Accumulated amortization</i> | <i>2014 Net book value</i> |
|-----------------------|-------------|---------------------------------|----------------------------|
| Automotive | 225,895 | 144,665 | 81,230 |
| Leasehold improvement | 134,366 | 31,992 | 102,374 |
| Office equipment | 105,027 | 81,979 | 23,045 |
| | 465,288 | 258,636 | 206,652 |

| | <i>Cost</i> | <i>Accumulated amortization</i> | <i>2013 Net book value</i> |
|-----------------------|-------------|---------------------------------|----------------------------|
| Automotive | 184,598 | 144,279 | 40,319 |
| Leasehold improvement | 134,366 | 12,797 | 121,569 |
| Office equipment | 105,027 | 66,704 | 38,323 |
| | 423,991 | 223,780 | 200,211 |

Boys and Girls Clubs of Winnipeg Inc.
Notes to the Financial Statements

For the year ended December 31, 2014

8. Investments

Investments include a corporate bond fund in the amount of \$49,984 with an interest rate of 4.609%, maturing September 2025.

9. Investments - restricted

The Agency has received funds which are restricted for the purpose of covering future operating cost deficits relating to summer learning program operations. These funds are managed by the Winnipeg Foundation on behalf of the Agency. As a condition of funding, the Agency can request a maximum disbursement from this investment of \$60,000 in any calendar year, if an operating deficit is projected. Management does not expect to draw on these funds in the next 12 months. The net increase in investments - restricted is \$109,261 and is reflected in deferred contributions - restricted.

10. Accounts payable and accrued expenses

| | 2014 | 2013 |
|------------------------|---------------|----------------|
| Trade accounts payable | 69,956 | 127,966 |
| Government remittances | 359 | 4,510 |
| | 70,315 | 132,476 |

11. Deferred contributions

Deferred contributions consist of revenues received for which the related expenses have not yet been incurred. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made. Changes in the deferred contribution balance are as follows:

| | 2014 | 2013 |
|--|----------------|----------------|
| Balance, beginning of year | 723,567 | 698,628 |
| Amount received during the year | 3,737,834 | 4,056,768 |
| Less: Amount recognized as revenue during the year | (3,750,241) | (4,031,829) |
| Balance, end of year | 711,160 | 723,567 |

12. Deferred contributions - restricted

| | 2014 | 2013 |
|--------------------------------------|----------------|----------------|
| Balance, beginning of the year | 394,750 | 338,080 |
| Received during the year | 70,000 | - |
| Unrealized gains | 14,235 | 42,363 |
| Realized gains and investment income | 25,027 | 14,307 |
| Balance, end of year | 504,012 | 394,750 |

Boys and Girls Clubs of Winnipeg Inc.
Notes to the Financial Statements
For the year ended December 31, 2014

13. Deferred contributions – capital

Deferred contributions related to capital assets represent externally restricted contributions for the purchase or construction of capital assets. The changes in the deferred contributions balances for the year are as follows:

| | 2014 | <i>2013 (Restated)</i> |
|--|-----------------|----------------------------|
| Balance, beginning of the year | 138,946 | - |
| Amounts received during the year | 14,000 | 154,773 |
| Amounts amortized to revenue in the year | (27,169) | (15,827) |
| | 125,777 | 138,946 |

14. Charitable donations

Charitable donation receipts for income tax purposes have been issued by the Agency in the amount of \$131,822 (2013 - \$199,685).

15. Commitments

The Agency has entered into a lease agreement for its operations premises with estimated minimum annual payments over the next five years as follows:

| | |
|------|---------|
| 2015 | 88,100 |
| 2016 | 91,600 |
| 2017 | 96,200 |
| 2018 | 98,200 |
| 2019 | 100,300 |

16. Economic dependence

Common with many charitable organizations, the Agency's primary source of revenues are contributions from various levels of government and other supporting organizations such as the United Way. The Agency's ability to continue as a going concern depends on maintaining these contributions.

17. Financial instruments

The Agency, as part of its operations, carries a number of financial instruments. It is management's opinion that the Agency is not exposed to significant interest, currency, liquidity or other price risks arising from these financial instruments.

Credit concentration

Financial instruments that potentially subject the Agency to concentrations of credit risk consist primarily of accounts receivable. The Province of Manitoba accounts for 59% (2013 - United Way comprised 27% of accounts receivable) of the total accounts receivable balance as at December 31, 2014. The Agency believes that there is minimal risk associated with the collection of these amounts, as they have historically collected all amounts from this contributor.

18. Endowments

The Agency derives revenue from certain endowments under the control of and administered by The Winnipeg Foundation at the bequest of the endowment contributors. The amount of revenue received by the Agency is based on the conditions set forth by the related endowment funds and varies annually.

Endowments in the name of the Agency held by The Winnipeg Foundation was \$120,563 (2013 - \$50,848).

19. Comparative figures

Certain comparative figures have been reclassified to conform with the current year presentation.

Boys and Girls Clubs of Winnipeg Inc.
Schedule 1 - Special Projects
For the period ended December 31, 2014

| | 2014 | 2013 |
|---|------------------|------------------|
| Revenues | | |
| Province of Manitoba | 1,507,133 | 1,510,865 |
| United Way | 242,082 | 221,021 |
| City of Winnipeg | 63,000 | 63,000 |
| The Winnipeg Foundation | 85,816 | 63,061 |
| Government of Canada | 65,468 | 79,432 |
| Ma Mawi Wi Chi Itata Centre | 17,529 | 16,710 |
| Boys and Girls Clubs of Canada | 108,347 | 131,000 |
| Other Supporters | 765,779 | 867,489 |
| Total revenues from Special Projects | 2,855,154 | 2,952,578 |
| Expenses | | |
| Facilities | 21,889 | 27,774 |
| General | 213,632 | 266,185 |
| Programming and supplies | 1,086,894 | 1,073,371 |
| Salaries and benefits | 1,487,304 | 1,542,539 |
| Transportation | 34,409 | 28,938 |
| Total expenses from Special Projects | 2,844,128 | 2,938,807 |
| Excess of revenues over expenses | 11,026 | 13,771 |