

Financial statements

Boys and Girls Clubs of South Coast BC

March 31, 2013

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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

We have audited the accompanying financial statements of Boys and Girls Clubs of South Coast BC, which comprise the balance sheet as at March 31, 2013, and the statements of revenue and expense, changes in fund balances 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Boys and Girls Clubs of South Coast BC as at March 31, 2013, and the results of its operations, changes in fund balances, and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Grant Thornton LLP

Vancouver, Canada

June 20, 2013

Chartered accountants

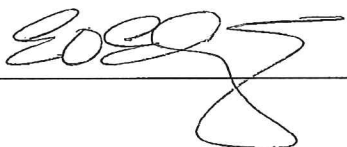
Boys and Girls Clubs of South Coast BC

Balance sheet

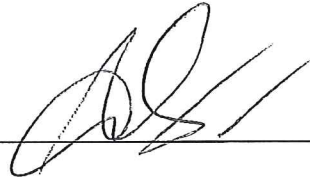
March 31	2013	2012
Assets		
Current		
Cash and cash equivalents	\$ 444,901	\$ 922,844
Receivables		
The Boys' and Girls' Clubs of Greater Vancouver Foundation (Note 6)	67,636	19,103
Other receivables (Note 3)	352,676	257,257
Prepaid expenses	1,337	147,050
	<u>866,550</u>	<u>1,346,254</u>
Property and equipment (Note 4)	<u>3,135,194</u>	<u>2,553,762</u>
	<u>\$ 4,001,744</u>	<u>\$ 3,900,016</u>
Liabilities		
Current		
Payables and accruals	\$ 433,437	\$ 287,124
Deferred revenue (Note 5)	<u>485,580</u>	<u>356,096</u>
	<u>919,017</u>	<u>643,220</u>
Deferred contributions related to property and equipment (Note 7)	<u>952,055</u>	<u>1,076,741</u>
	<u>1,871,072</u>	<u>1,719,961</u>
Funds balances		
Property and equipment fund	2,183,139	1,477,021
General fund	<u>(52,467)</u>	<u>703,034</u>
	<u>2,130,672</u>	<u>2,180,055</u>
	<u>\$ 4,001,744</u>	<u>\$ 3,900,016</u>

Commitments (Note 10)

On behalf of the Board



Director



Director

See accompanying notes to the financial statements.

Boys and Girls Clubs of South Coast BC

Statement of revenue and expense

Year ended March 31

2013

2012

Revenue

Program fees and memberships	\$ 722,058	\$ 669,990
Government	5,427,350	4,944,357
Gaming	386,655	688,582
United Way	646,723	683,448
Rental, deferred and other	287,465	319,873
	<u>7,470,251</u>	<u>7,306,250</u>

Expense

Salaries and benefits (Note 8)	6,450,675	6,466,183
Building occupancy (Note 6)	851,053	933,148
Office	215,749	305,246
Program supplies	431,044	450,997
Employment participants and partners (Note 12)	1,173,783	-
Transportation	293,203	297,248
Insurance, professional fees and other	489,522	480,658
	<u>9,905,029</u>	<u>8,933,480</u>

Deficiency of revenue over expense from operations
before other items

(2,434,778) (1,627,230)

Other items

Amortization of property and equipment	(344,291)	(288,025)
Amortization of deferred contributions related to property and equipment	<u>199,686</u>	<u>186,884</u>

Deficiency of revenue over expense from operations
The Foundation administration allocation (Note 6)
Annual grant from The Foundation (Note 6)

(2,579,383) (1,728,371)
120,000 112,500
2,410,000 1,560,000

Deficiency of revenue over expense

\$ (49,383) \$ (55,871)

See accompanying notes to the financial statements.

Boys and Girls Clubs of South Coast BC

Statement of changes in fund balances

Year ended March 31, 2013

	Property and equipment <u>Fund</u>	General <u>Fund</u>	<u>Total</u>
Fund balances, March 31, 2011	\$ 1,443,792	\$ 792,134	\$ 2,235,926
(Deficiency) excess of revenue over expense	(101,141)	45,270	(55,871)
Purchase of property and equipment	<u>134,370</u>	<u>(134,370)</u>	<u>-</u>
Fund balances, March 31, 2012	1,477,021	703,034	2,180,055
(Deficiency) excess of revenue over expense	(144,605)	95,222	(49,383)
Purchase of property and equipment, net of deferred contributions	<u>850,723</u>	<u>(850,723)</u>	<u>-</u>
Fund balances, March 31, 2013	\$ <u>2,183,139</u>	\$ <u>(52,467)</u>	\$ <u>2,130,672</u>

See accompanying notes to the financial statements.

Boys and Girls Clubs of South Coast BC

Statement of cash flows

Year ended March 31

2013

2012

Cash provided by (used in)

Operating activities

Deficiency of revenue over expense	\$ (49,383)	\$ (55,871)
Amortization of property and equipment	344,291	288,025
Amortization of deferred contributions related to property and equipment	(199,686)	(186,884)
Change in non-cash operating working capital		
Receivable from the Foundation	(48,533)	7,466
Other receivables	(95,419)	(166,190)
Prepaid expenses	145,713	5,745
Payables and accruals	(40,815)	(44,782)
Deferred revenue	129,484	(128,829)
	<u>185,652</u>	<u>(281,320)</u>

Financing activities

Deferred contributions related to property and equipment	75,000	-
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Investing activities

Purchase of property and equipment	<u>(738,595)</u>	<u>(134,370)</u>
Net decrease in cash and cash equivalents	(477,943)	(415,690)
Cash and cash equivalents, beginning of year	<u>922,844</u>	<u>1,338,534</u>
Cash and cash equivalents, end of year	<u>\$ 444,901</u>	<u>\$ 922,844</u>

Cash and cash equivalents comprise

Cash	\$ 444,901	\$ 822,144
Term deposits	<u>-</u>	<u>100,700</u>
Cash and cash equivalents, end of year	<u>\$ 444,901</u>	<u>\$ 922,844</u>

See accompanying notes to the financial statements.

Boys and Girls Clubs of South Coast BC

Notes to the financial statements

March 31, 2013

1. Purposes of the Agency

The Boys and Girls Clubs of South Coast BC (the "Agency") was incorporated under the Society Act of British Columbia on April 1, 2011 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 ("BGCCSD/R") and Boys' and Girls' Clubs of Greater Vancouver ("BGCGV").

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. Statement of compliance with Canadian accounting standards for not-for-profit organizations and 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 5 years straight-line
Leasehold improvements	straight-line over five to twenty-five years

Fund accounting

The general fund reports the revenue and expense related to all clubs and camp programs, donations, fundraising and administrative activities. These amounts are unrestricted in nature.

The property and equipment fund reports restricted contributions, the revenue and expense related to the capital assets and transfers to and from other funds.

Boys and Girls Clubs of South Coast BC

Notes to the financial statements

March 31, 2013

2. Statement of compliance with Canadian accounting standards for not-for-profit organizations and summary of significant accounting policies (continued)

Revenue recognition

The Agency follows the deferral method of accounting for 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.

Gifts in kind

Donations of products which the Agency would otherwise have purchased are recognized as revenue at their fair market value.

The Agency receives contributed services, including significant time contributed by volunteers, that 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, 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, plant, and equipment.

These estimates affect the reported amounts of amortization of property and equipment, amortization of deferred contributions related to property and equipment, 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.

Comparative figures

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

Boys and Girls Clubs of South Coast BC

Notes to the financial statements

March 31, 2013

3. Other receivables	2013	2012
Grants receivable	\$ 281,435	\$ 206,915
HST rebates	<u>71,241</u>	<u>50,342</u>
	<u>\$ 352,676</u>	<u>\$ 257,257</u>

4. Property and equipment

	Land	Buildings and leasehold improvements	Equipment and computer software and hardware	Vehicles	Total
Cost					
April 1, 2011	\$ 1,029,000	\$ 3,576,972	\$ 226,999	\$ 157,043	\$ 4,990,014
Additions	-	90,055	44,315	-	134,370
March 31, 2012	1,029,000	3,667,027	271,314	157,043	5,124,384
Additions	-	917,291	8,432	-	925,723
March 31, 2013	<u>\$ 1,029,000</u>	<u>\$ 4,584,318</u>	<u>\$ 279,746</u>	<u>\$ 157,043</u>	<u>\$ 6,050,107</u>
Accumulated amortization					
April 1, 2011	\$ -	\$ 1,975,483	\$ 195,157	\$ 111,957	\$ 2,282,597
Amortization	-	245,064	22,334	20,627	288,025
March 31, 2012	-	2,220,547	217,491	132,584	2,570,622
Amortization	-	307,718	19,964	16,609	344,291
March 31, 2013	<u>\$ -</u>	<u>\$ 2,528,265</u>	<u>\$ 237,455</u>	<u>\$ 149,193</u>	<u>\$ 2,914,913</u>
Net carrying value 2012	\$ 1,029,000	\$ 1,446,480	\$ 53,823	\$ 24,459	\$ 2,553,762
Net carrying value 2013	1,029,000	2,056,053	42,291	7,850	3,135,194

5. Deferred revenue

Deferred revenue represents funds received for programs in advance of the services which have not been delivered as at March 31, 2013.

6. Related party transactions

During the year, The Boys' and Girls' Clubs of Greater Vancouver Foundation ("The Foundation") contributed \$2,410,000 (2012: \$1,560,000) to the Agency.

Based on a formal agreement between the Agency and The Foundation Boards, The Foundation paid an administration allocation of \$120,000 (2012: \$112,500) 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.

Boys and Girls Clubs of South Coast BC

Notes to the financial statements

March 31, 2013

6. Related party transactions (continued)

During the year, the Agency paid rent expense of \$126,000 (2012: \$126,000) for leasing Camp Potlatch from The Foundation.

The receivable of \$67,636 (2012: \$19,103) represents support obligations from The Foundation and will be reduced through future disbursements to the Agency.

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.

	2013	2012
Balance, beginning of year	\$ 1,076,741	\$ 1,263,625
Additional funds received	75,000	-
Recognized as revenue during the year	<u>(199,686)</u>	<u>(186,884)</u>
Balance, end of year	<u>\$ 952,055</u>	<u>\$ 1,076,741</u>

8. 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 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. An actuarial valuation is carried out every three years and the most recent actuarial valuation was carried out as at December 31, 2010. The findings were that the plan is 82.1% funded on a solvency basis.

The pension plan is facing funding challenges due to the insufficient investment returns and falling interest rates. Effective January 1, 2011, both Agency and employees' contributions increased. The Agency contributions increased to 175% of employee contributions and employees are contributing an extra 1.2% of pay.

The Agency's pension expense for the year ended March 31, 2013, in respect of pension contributions to the defined benefit plan for its employees amounted to \$192,517 (2012: \$159,358).

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, 2013 is \$33,190 (2012: \$42,099).

Boys and Girls Clubs of South Coast BC

Notes to the financial statements

March 31, 2013

9. Financial instruments

The fair values of the Agency's financial instruments approximate their carrying values due to their short-term maturity or capacity of prompt liquidation. The Agency is not exposed to significant interest, currency or credit risk arising from these financial instruments.

10. Commitments

Lease commitments

The Agency leases the premises of the Kivan/Kimount Clubs from the City of Vancouver and the premises of the Fraserview Club are leased from the Vancouver Board of Parks and Recreation at nominal annual rents and the leases expired in January 2010 and January 2012, respectively. 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 2021 at an annual rent of \$126,000 plus operating costs.

The Agency leases the premises for Hillside Club and Wintemute Club at nominal annual rents which expire on May 31, 2013 and April 30, 2015, respectively.

The Agency has also entered into office equipment leases until 2015.

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

	<u>Equipment</u>	<u>Premises</u>
2014	\$ 6,393	\$ 332,912
2015	3,024	272,369
2016	-	274,654
2017	-	281,870
2018	-	126,000

11. Line of credit

The Agency has an approved line of credit of \$75,000 with interest at prime rate plus 1% per annum. As of March 31, 2013, the Agency had \$Nil borrowings (2012: \$Nil) under this facility. The Agency is in the process of arranging a \$700,000 line of credit and will cancel the \$75,000 line of credit upon approval.

12. Employment participants and partners

The Agency entered into an agreement with the Province of British Columbia to provide employment services for the period between March 1, 2012 and March 31, 2017. The program provides 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 are recognized in the same period funds are paid back to the participants.

