

**HAMILTON EAST KIWANIS BOYS  
AND GIRLS CLUB INC.**

Financial Statements  
for the Year Ended December 31, 2017  
and Independent Auditors' Report to the Directors

Draft

**HAMILTON EAST KIWANIS BOYS  
AND GIRLS CLUB INC.**  
FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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CHARTERED  
PROFESSIONAL  
ACCOUNTANTS

DURWARD JONES BARKWELL  
& COMPANY LLP

Big enough to know. SMALL ENOUGH TO CARE.

## INDEPENDENT AUDITORS' REPORT

To the Directors of  
Hamilton East Kiwanis Boys and Girls Club Inc.:

We have audited the accompanying financial statements of Hamilton East Kiwanis Boys and Girls Club Inc., which comprise the statement of financial position as at December 31, 2017 and the statements of operations and changes in net assets, and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for 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 charitable organizations, the Hamilton East Kiwanis Boys and Girls Club Inc. derives revenue from activities, including donations and fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Hamilton East Kiwanis Boys and Girls Club Inc. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, and cash flows from operations for the years ended December 31, 2017 and 2016, current assets at December 31, 2017 and 2016 and net assets as at January 1 and December 31 for both the 2017 and 2016 years. Our audit opinion on the financial statements for the year ended December 30, 2016 was modified accordingly because of the possible effects of this limitation in scope.

### Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Hamilton East Kiwanis Boys and Girls Club Inc. as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

**Durward Jones Barkwell & Company LLP**  
Licensed Public Accountants

TBD - date of approval

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**HAMILTON EAST KIWANIS BOYS AND GIRLS CLUB INC.**  
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS  
YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u> (Note 2) (restated)
<b>REVENUE</b>		
Grants		
Federal	\$ 51,970	\$ 35,166
Provincial	1,394,060	1,401,363
Municipal	1,010,828	953,164
United Way	74,611	82,839
Kiwans Club of Hamilton East	88,667	53,367
Other	484,313	418,794
Program fees	1,324,291	1,338,105
Donations	74,043	168,903
Fundraising	33,917	69,398
Rental income	39,508	34,720
Memberships	11,362	11,377
Other	150,975	137,830
	<b>4,738,545</b>	<b>4,705,026</b>
<b>EXPENSES</b>		
Program		
Wages and benefits	3,379,588	3,173,338
Supplies	515,589	520,711
Occupancy	214,970	185,094
Travel and training	85,747	82,751
Promotion	26,990	25,164
	<b>4,222,884</b>	<b>3,987,058</b>
Administration		
Wages and benefits	290,172	351,323
Office and general	74,441	112,913
Professional fees	52,110	27,204
Insurance	26,120	25,557
Depreciation	6,410	-
	<b>449,253</b>	<b>516,997</b>
	<b>4,672,137</b>	<b>4,504,055</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>66,408</b>	<b>200,971</b>
<b>NET ASSETS, BEGINNING OF YEAR - Page 10</b>		
As previously reported	862,923	675,757
Impact of restatement (Note 2)	84,933	71,128
As restated	<b>947,856</b>	<b>746,885</b>
<b>NET ASSETS, END OF YEAR - Page 10</b>	<b>\$ 1,014,264</b>	<b>\$ 947,856</b>

**HAMILTON EAST KIWANIS BOYS AND GIRLS CLUB INC.**  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u> (Note 2) (restated)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 247,128	\$ 416,206
Short-term investments (Note 3)	1,136,792	1,122,830
Accounts receivable	148,368	113,107
Sales tax recoverable	46,347	44,861
Prepaid expenses	33,988	33,865
	<b>1,612,623</b>	<b>1,730,869</b>
<b>Capital assets (Note 4)</b>	<b>51,138</b>	<b>-</b>
	<b>\$ 1,663,761</b>	<b>\$ 1,730,869</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 165,275	\$ 154,825
Deferred contributions (Note 5)	484,222	628,188
	<b>649,497</b>	<b>783,013</b>
<b>NET ASSETS - Page 10</b>		
Internally restricted		
Capital	254,835	254,835
On Top of the World for Kids	83,257	83,257
Outreach program	103,864	103,864
Nutrition program	27,255	27,255
NGen	60,837	60,837
Unrestricted	484,216	417,808
	<b>1,014,264</b>	<b>947,856</b>
	<b>\$ 1,663,761</b>	<b>\$ 1,730,869</b>

Approved by the Board:

..... Director

..... Director

# HAMILTON EAST KIWANIS BOYS AND GIRLS CLUB INC.

## STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u> (Note 2) (restated)
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 66,408	\$ 200,971
Depreciation, an item not affecting cash	6,410	-
	<b>72,818</b>	200,971
Changes in non-cash operating assets and liabilities		
Accounts receivable	(35,261)	78,823
Sales tax recoverable	(1,486)	7,484
Prepaid expenses	(123)	(9,260)
Accounts payable and accrued liabilities	10,450	12,130
Deferred contributions	(143,966)	279,806
	<b>(97,568)</b>	569,954
<b>INVESTING ACTIVITIES</b>		
Increase in short-term investments	(13,962)	(609,302)
Purchase of capital assets		
Furniture and equipment	(44,452)	-
Computer equipment	(13,096)	-
	<b>(71,510)</b>	(609,302)
<b>DECREASE IN CASH</b>	<b>(169,078)</b>	(39,348)
<b>CASH, BEGINNING OF YEAR</b>	<b>416,206</b>	455,554
<b>CASH, END OF YEAR</b>	<b>\$ 247,128</b>	<b>\$ 416,206</b>

# HAMILTON EAST KIWANIS BOYS AND GIRLS CLUB INC.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

## 1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

### ***Basis of accounting***

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

### ***Nature of business***

Hamilton East Kiwanis Boys' and Girls' Club Inc. (the "Club") was incorporated under the laws of the Province of Ontario on March 29, 1962. The Club became a registered charity on January 1, 1967 and qualifies for tax exempt status under paragraph 149(1)(f) of the Income Tax Act.

The Club provides a safe, supportive place where children and youth can experience new opportunities, overcome barriers, build positive relationships and develop confidence and skills for life. Programs and services are delivered within an environment that promotes inclusion and opportunity, respect and belonging, empowerment of children and youth, and collaboration with families, communities, funders and other program providers.

### ***Basis of presentation***

The Club follows the deferral method of accounting for contributions, with any restrictions placed on resources categorized as either external or internal restrictions. The Club's resources are subject to the following internal restrictions:

#### ***Capital***

The Capital restriction was established to ensure resources are available to purchase major equipment and supplies required for programs.

#### ***On Top of the World for Kids***

The On Top of the World for Kids restriction was established with proceeds from a fundraising event related to the participation of the Club's Executive Director in the 2011 North Pole Marathon. The restriction is to ensure children and youth have access to the Club's or third-party active living programs.

#### ***Outreach***

The Outreach restriction was established with proceeds received from the net assets of "Community Skills Training for Children of Hamilton Wentworth" (operating as S.T.A.R. – Skills Through Activity and Recreation), a charitable organization which ceased operations in 2014. The balance is to be used for program delivery at the Club's outreach locations.

#### ***Nutrition***

The Nutrition restriction was established to ensure that resources are available for the provision of healthy food and snacks during events and program delivery.

#### ***NGen***

The NGen restriction was established with proceeds received from donors and is available for NGen Youth Centre programs.

Transfers to and from internally restricted net assets established by the Board of Directors are recognized in the statement of changes in net assets after all related revenues and expenses have been recorded in the statement of operations.

# HAMILTON EAST KIWANIS BOYS AND GIRLS CLUB INC.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

## 1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION - continued

### **Revenue recognition**

Restricted contributions and grants received from government funders and specified contributions from others are recognized as revenue in the period in which the related activity occurs and expenses are incurred. Funding received from the Ontario Ministry of Health and Long Term Care (MOHLTC) in excess of approved expenses incurred during the year belongs to MOHLTC.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Program fees, rental income and other revenue are recognized as revenue when earned, upon completion of performance or activity, and in the same period in which the related expenses are incurred. Membership revenue is recognized based on the membership year to which it relates.

### **Capital assets**

The Club occupies a 28,000 square foot building in Hamilton, Ontario, which is owned by the City of Hamilton and provided to the Club for the delivery of its programming. Major repairs, improvements and renovations are paid by the City of Hamilton and, as such, are not reported in these financial statements.

Regular maintenance and repairs of the building are the responsibility of the Club and charged to expense in the statement of operations.

Capital assets are stated at cost. Depreciation is calculated using the diminishing balance method over their estimated useful lives at the rates indicated in Note 4. In the year of acquisition, net additions are depreciated at one-half the normal rate.

### **Long-lived assets**

Long-lived assets are tested for recoverability if events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of the long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. Impairment losses are measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

### **Financial instruments**

#### **(a) Measurement of financial instruments**

The Club initially measures its financial assets and financial liabilities at their fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributed to the instrument.

The Club subsequently measures all its financial assets and financial liabilities at amortized cost, except for equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recorded in the statement of operations

Financial assets measured at amortized cost include cash, short-term investments and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.



# HAMILTON EAST KIWANIS BOYS AND GIRLS CLUB INC.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

## 1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION - continued

### (b) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write-down reflects the difference between the carrying amount and the higher of:

- (a) the present value of the cash flows expected to be generated by asset or group of assets;
- (b) the amount that could be realized by selling the asset or group of assets;
- (c) the net realizable value of any collateral held to secure repayment of the asset or group of assets.

When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment.

### **Contributed services**

The Club receives contributed materials and services which benefit the organization considerably. However, as a reasonable estimate of their amount and fair value cannot be made, these contributed materials and services are not recognized in the financial statements.

### **Use of estimates**

The preparation of financial statements in accordance 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future. Significant estimates and assumptions are used when accounting for items such as revenue recognition, allowances for accounts receivable, accrued liabilities, deferred revenue and contingent liabilities.

## 2. RESTATEMENT OF PRIOR YEAR'S FIGURES

A correction of the overstatement of accounts payable and accrued liabilities for accrued wages has resulted in the restatement of certain prior year's figures. Net assets as at January 1, 2016 has been restated and increased by \$71,128, program wages and benefits expense for 2016 has been restated and decreased by \$13,805 and accounts payable and accrued liabilities as at December 31, 2016 has been restated and decreased by \$84,933, and net assets as at December 31, 2016 has been restated and increased by \$84,933.

## 3. SHORT-TERM INVESTMENTS

The short-term investments consist of an interest-bearing savings account and a one-year guaranteed investment certificate, both held by Canadian financial institutions, and primarily represents funds held for internally restricted net assets. The interest-bearing savings account bears interest at 1.60% (2016 - 1.70%) and the guaranteed investment certificate bears interest at 0.90% (2016 - 0.95%).

# HAMILTON EAST KIWANIS BOYS AND GIRLS CLUB INC.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

## 4. CAPITAL ASSETS

	Annual Depreciation Rates	2017		2016	
		Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Furniture and equipment	20%	\$ 44,452	\$ 4,445	\$ -	\$ -
Computer equipment	30%	13,096	1,965	-	-
		<b>57,548</b>	<b>6,410</b>	-	-
Net book value			<b>\$ 51,138</b>		<b>\$ -</b>

## 5. DEFERRED CONTRIBUTIONS

Deferred contributions pertain to specific grants related to operating activities and expenses expected to occur in 2018, as well as specific grants received and restricted for the purchase of capital assets. The deferred contributions related to capital assets are amortized into revenue on the same basis as the related capital assets purchased are depreciated at the rates indicated in Note 4. The change in the deferred contributions balance is as follows:

	2017	2016
Balance, beginning of year	\$ 628,188	\$ 348,382
Add: grants received in the year	2,960,483	3,224,499
Less: amount amortized and included in revenue in the year	(3,104,449)	(2,944,693)
Balance, end of year	<b>\$ 484,222</b>	<b>\$ 628,188</b>
Grants		
Provincial	\$ 26,525	\$ 65,767
Municipal	67,365	139,117
Foundations	235,938	316,392
Other	84,598	37,320
Unexpended Nevada/Bingo proceeds	414,426	558,596
	69,796	69,592
	<b>\$ 484,222</b>	<b>\$ 628,188</b>

At December 31, 2017, deferred contributions related to capital assets amounted to \$26,524 (2016 - \$nil).

# HAMILTON EAST KIWANIS BOYS AND GIRLS CLUB INC.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

## 6. PENSION PLAN

The Club has a defined contribution pension plan which requires regular payments on behalf of all of its employees. During the year, the Club paid \$50,755 of employer pension contributions into the plan (2016 - \$52,806).

## 7. COMMITMENTS

The Club has entered into equipment and facility lease agreements which expire at dates between August 2018 and December 2022, and require the following minimal annual payments over the next five years:

2018	\$ 57,020
2019	38,712
2020	33,712
2021	24,000
2022	24,000
	\$ 177,444

## 8. FINANCIAL RISK MANAGEMENT

The Club has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include interest rate risk, market (other price) risk, currency risk, credit risk, and liquidity risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices.

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. The Organization's main credit risks relate to its accounts receivable. The Organization provides credit to entities and individuals in the normal course of operations.

It is management's opinion that the Club is not exposed to significant interest, market, currency or liquidity risks arising from its financial instruments.

## 9. ECONOMIC DEPENDENCE

The Club is economically dependent on government grant agreements, as it would be difficult to continue current operations without this annual funding. However, it is management's estimate that the funding will continue into the foreseeable future.

## 10. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform with the current year financial statement presentation.

## HAMILTON EAST KIWANIS BOYS AND GIRLS CLUB INC.

SCHEDULE OF CHANGES IN NET ASSETS  
YEAR ENDED DECEMBER 31, 2017

	<u>Internally restricted (Note 1)</u>						<u>2017 Total</u>	<u>2016 Total (Note 2) (restated)</u>
	<u>Unrestricted</u>	<u>Capital</u>	<u>On Top of the World for Kids</u>	<u>Outreach</u>	<u>Nutrition</u>	<u>NGen</u>		
Balance, beginning of year As previously reported	\$ 332,875	\$ 254,835	\$ 83,257	\$ 103,864	\$ 27,255	\$ 60,837	<b>\$ 862,923</b>	\$ 675,757
Impact of restatement (Note 2)	84,933	-	-	-	-	-	<b>84,933</b>	71,128
As restated	417,808	254,835	83,257	103,864	27,255	60,837	<b>947,856</b>	746,885
Excess of revenue over expenses	66,408	-	-	-	-	-	<b>66,408</b>	200,971
Balance, end of year	<b>\$ 484,216</b>	<b>\$ 254,835</b>	<b>\$ 83,257</b>	<b>\$ 103,864</b>	<b>\$ 27,255</b>	<b>\$ 60,837</b>	<b>\$1,014,264</b>	<b>\$ 947,856</b>