

**BOYS' AND GIRLS' CLUB OF RED DEER &
DISTRICT**

Financial Statements

Year Ended December 31, 2020



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Independent Auditor's Report

To the Directors of Boys' and Girls' Club of Red Deer & District

Qualified Opinion

We have audited the financial statements of Boys' and Girls' Club of Red Deer & District (the Entity), which comprise the statement of financial position as at December 31, 2020, and the statement of revenues and expenditures, statement of changes in net assets, statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 the Entity as at December 31, 2020 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Boys' and Girls' Club of Red Deer & District derives revenue from third party donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Boys' and Girls' Club of Red Deer & District. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2020, current assets at as December 31, 2020 and net assets as at January 1, 2020 and December 31, 2020.

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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

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Independent Auditor's Report (continued)

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 Entity'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 Entity'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 Entity 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.

BDO Canada LLP

Chartered Professional Accountants

Red Deer, Alberta
June 17, 2021

BOYS' AND GIRLS' CLUB OF RED DEER & DISTRICT
Statement of Financial Position
December 31, 2020

| | 2020 | 2019 |
|--|-------------------|-------------------|
| ASSETS | | |
| CURRENT | | |
| Cash (Note 4) | \$ 194,648 | \$ 98,725 |
| Cash - restricted (Note 4) | 32,638 | 13,116 |
| Accounts receivable (Note 4) | 78,251 | 112,516 |
| Prepaid expenses | 9,053 | 7,407 |
| | <u>314,590</u> | 231,764 |
| CAPITAL ASSETS (Note 3) | <u>74,372</u> | 72,459 |
| | <u>\$ 388,962</u> | <u>\$ 304,223</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT | | |
| Accounts payable and accruals | \$ 116,853 | \$ 52,003 |
| Deferred income (Note 4) | 332,229 | 231,555 |
| Due to related parties (Note 6) | - | 14,490 |
| | <u>449,082</u> | 298,048 |
| UNAMORTIZED CAPITAL CONTRIBUTIONS (Note 5) | <u>31,381</u> | 26,400 |
| | <u>480,463</u> | 324,448 |
| NET ASSETS | | |
| Invested in capital assets | 42,991 | 46,058 |
| Unrestricted | (134,492) | (66,283) |
| | <u>(91,501)</u> | (20,225) |
| | <u>\$ 388,962</u> | <u>\$ 304,223</u> |

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

_____ Director

_____ Director

See notes to financial statements

BOYS' AND GIRLS' CLUB OF RED DEER & DISTRICT
Statement of Revenues and Expenditures
For the Year Ended December 31, 2020

| | 2020 | 2019 |
|--|--------------------|--------------------|
| REVENUE | | |
| Donations - receipted | \$ 38,510 | \$ 32,302 |
| Donations - unreceipted | 29,525 | 108,067 |
| FCSS grant | 493,714 | 489,661 |
| Fundraising and sponsorship | 48,851 | 97,090 |
| Gaming | 14,801 | 47,137 |
| Raffle | 571 | 17,079 |
| Other grants | 82,483 | 82,572 |
| Program registrations and other recoveries | 79,737 | 227,598 |
| United Way | 39,426 | 43,846 |
| | <u>827,618</u> | <u>1,145,352</u> |
| EXPENSES | | |
| Administrative expenses | 285,191 | 285,774 |
| Facility costs | 85,885 | 79,557 |
| Program delivery costs | 513,476 | 706,902 |
| Fundraising costs | 11,275 | 87,761 |
| | <u>895,827</u> | <u>1,159,994</u> |
| DEFICIENCY OF REVENUE OVER EXPENSES FROM OPERATIONS | <u>(68,209)</u> | <u>(14,642)</u> |
| OTHER INCOME (EXPENSES) | | |
| Amortization of capital assets | (16,388) | (7,306) |
| Amortization of capital contributions (Note 5) | 13,321 | 11,491 |
| | <u>(3,067)</u> | <u>4,185</u> |
| DEFICIENCY OF REVENUE OVER EXPENSES | <u>\$ (71,276)</u> | <u>\$ (10,457)</u> |

See notes to financial statements

BOYS' AND GIRLS' CLUB OF RED DEER & DISTRICT

Statement of Changes in Net Assets

Year Ended December 31, 2020

| | Invested in capital assets | Unrestricted | 2020 | 2019 |
|---------------------------------------|-------------------------------|---------------------|--------------------|--------------------|
| NET ASSETS - BEGINNING OF YEAR | \$ 46,058 | \$ (66,283) | \$ (20,225) | \$ (9,768) |
| Deficiency of revenue over expenses | (3,067) | (68,209) | (71,276) | (10,457) |
| NET ASSETS - END OF YEAR | \$ 42,991 | \$ (134,492) | \$ (91,501) | \$ (20,225) |

See notes to financial statements

BOYS' AND GIRLS' CLUB OF RED DEER & DISTRICT

Statement of Cash Flow

Year Ended December 31, 2020

| | 2020 | 2019 |
|---|--------------------------|--------------------------|
| OPERATING ACTIVITIES | | |
| Cash receipts from customers | \$ 961,526 | \$ 1,163,088 |
| Cash paid to suppliers and employees | <u>(813,289)</u> | <u>(1,181,364)</u> |
| Cash flow from (used by) operating activities | <u>148,237</u> | <u>(18,276)</u> |
| INVESTING ACTIVITIES | | |
| Purchase of capital assets <i>(Note 3)</i> | <u>(18,302)</u> | <u>(4,587)</u> |
| Advances from (to) related parties | <u>(14,490)</u> | <u>11,284</u> |
| Cash flow from (used by) investing activities | <u>(32,792)</u> | <u>6,697</u> |
| INCREASE (DECREASE) IN CASH FLOW | 115,445 | (11,579) |
| Cash - beginning of year | <u>111,841</u> | <u>123,420</u> |
| CASH - END OF YEAR | <u>\$ 227,286</u> | <u>\$ 111,841</u> |
| CASH CONSISTS OF: | | |
| Cash - unrestricted | \$ 194,648 | \$ 98,725 |
| Cash - restricted | <u>32,638</u> | <u>13,116</u> |
| | <u>\$ 227,286</u> | <u>\$ 111,841</u> |

See notes to financial statements

BOYS' AND GIRLS' CLUB OF RED DEER & DISTRICT

Notes to Financial Statements

Year Ended December 31, 2020

1. Incorporation and nature of the organization

Boys' and Girls' Club of Red Deer & District (the "Society") is a registered society that was incorporated under the Societies Act of Alberta of the Province of Alberta. It is also registered as a charitable organization 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 Society must meet certain requirements of the Act. In the opinion of management these requirements have been met.

The major objectives of the Society include:

- a. Providing youth with the opportunity to express themselves through means of recreational and small group activities and developmental programs.
- b. Providing members with a variety of small and large group programs and while doing so, establish a firm foundation of those values and individual qualities so necessary in becoming a mature and responsible adult.

Youth HQ Foundation, Big Brothers and Big Sisters of Red Deer and District, and Boys' and Girls' Club of Red Deer & District are separately incorporated, maintain separate bank accounts, are audited separately, maintain separate memberships and have separate Board of Directors. Nevertheless, these three organizations are related Societies as they share the same vision, mission, administrative supports and facility. During the current year certain expenditures such as staffing and certain administrative costs were provided by the Youth HQ Foundation.

2. Summary of 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:

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

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.

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

| | | |
|-------------------------|------------|----------------------|
| Vehicles | 5 years | straight-line method |
| Computer equipment | 10 years | straight-line method |
| Furniture and equipment | 5-10 years | straight-line method |
| Leasehold improvements | 5-10 years | straight-line method |

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BOYS' AND GIRLS' CLUB OF RED DEER & DISTRICT

Notes to Financial Statements

Year Ended December 31, 2020

2. Summary of significant accounting policies *(continued)*

Contributed materials and services

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

Volunteers contribute many hours per year to assist the Society in carrying out its service delivery activities. Because of the difficulty of determining their fair value, these contributed services are not recognized in the financial statements.

Revenue recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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. Deferred contributions related to capital assets are recognized as revenue on the same basis as the related asset is amortized.

Donations, fundraising and sponsorship are recognized as revenue when received or when the receivables can be reasonably estimated and collection is reasonably assured.

Bingo and casino (gaming) revenue is recognized as revenue when related expenses are incurred.

Program registrations are recognized when programs are delivered.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Measurement uncertainty

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.

Significant estimates made by management include the allocation of revenue and expenses between programs and collectibility of accounts receivable. 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 over expenses in the periods in which they become known.

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BOYS' AND GIRLS' CLUB OF RED DEER & DISTRICT

Notes to Financial Statements

Year Ended December 31, 2020

2. Summary of significant accounting policies *(continued)*

Financial instruments policy

The Society recognizes its financial instruments when the Society becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Section 3840 Related Party Transactions (refer to Note 6).

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

The Society subsequently measures investments in equity instruments quoted in an active market at fair value. Fair value is determined by published price quotations. Investments in equity transactions 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 these financial instruments subsequently measured at cost or amortized cost.

Financial asset impairment

The Society assesses impairment of all of its financial assets measured at cost or amortized cost. The Society groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group, there are numerous assets affected by the same factors, no asset is individually significant, etc. Management considers whether the issuer is having significant financial difficulty in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Society determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Society reduces the carrying amount of any impaired assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenues over expenses.

The Society reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess of excess in the year the reversal occurs.

Allocation of expenses

During the year some of the program activities were provided by the Youth HQ Foundation ("the Foundation"). The costs of each program provided by the Foundation include the costs of personnel, premises, and other expenses that are directly related to providing the program. The Foundation also incurs a number of general support expenses that are common to the administration of the Foundation and each of its programs. The Foundation also engages in youth services programs requiring certain fundraising activities. The Foundation allocates certain of its fundraising and general support expenses to this Society by identifying the appropriate basis of allocating each component expense, and applying that basis consistently each year.

BOYS' AND GIRLS' CLUB OF RED DEER & DISTRICT

Notes to Financial Statements

Year Ended December 31, 2020

3. Capital assets

| | Cost | Accumulated amortization | 2020 Net book value | 2019 Net book value |
|------------------------|-------------------|-----------------------------|---------------------------|---------------------------|
| Automotive | \$ 146,489 | \$ 110,342 | \$ 36,147 | \$ 43,149 |
| Computer equipment | 32,642 | 6,971 | 25,671 | 8,790 |
| Equipment | 148,944 | 145,237 | 3,707 | 8,548 |
| Leasehold improvements | 33,845 | 24,998 | 8,847 | 11,972 |
| | <u>\$ 361,920</u> | <u>\$ 287,548</u> | <u>\$ 74,372</u> | <u>\$ 72,459</u> |

During the year, capital assets were acquired at an aggregate cost of \$18,302 (2019 - \$4,587), of which \$18,302 (2019 - \$4,587) were acquired in cash.

4. Deferred revenue

The Society received funds from organizations that cover certain expenditures to be made in periods beyond December 31, 2020. The following amounts have been deferred until these expenditures take place.

| | 2020 | 2019 |
|-------------------------------|-------------------|-------------------|
| Camp registration | \$ 55,283 | \$ 67,070 |
| Campership | 14,424 | 8,258 |
| Casino | 32,638 | - |
| Community Initiatives Program | 12,500 | 26,651 |
| Home Depot-paper hammers | 30,682 | 24,273 |
| Keystone | 5,885 | 7,467 |
| Other | 91,524 | 21,165 |
| Raise the Grade | 42,409 | 34,000 |
| Shelter | 46,884 | 42,671 |
| | <u>\$ 332,229</u> | <u>\$ 231,555</u> |

Of this amount, \$299,591 (2019 - \$218,439) is represented by cash, accounts receivable, prepaid expenses, and due from related parties, and the balance is restricted cash of \$32,638 (2019 - \$13,116).

5. Unamortized capital contributions

Unamortized capital contributions are amortized on the same basis as the asset they relate to.

| | 2020 | 2019 |
|---|------------------|------------------|
| Balance, beginning of year | \$ 26,400 | \$ 37,891 |
| Amount received during the year | 18,302 | - |
| Less: Amounts recognized as revenue during the year | (13,321) | (11,491) |
| Balance, end of year | <u>\$ 31,381</u> | <u>\$ 26,400</u> |

BOYS' AND GIRLS' CLUB OF RED DEER & DISTRICT

Notes to Financial Statements

Year Ended December 31, 2020

6. Related party transactions

During the year \$574,370 (2019 - \$591,921) of program delivery, \$94,723 (2019 - \$135,461) of office operating and administration, and \$46,677 (2018 - \$43,577) of fundraising costs were paid to Youth HQ Foundation.

Included in accounts receivable is \$250 (2019 - \$0) from Youth HQ Foundation and \$0 (2019 - \$372) from Big Brothers and Big Sisters of Red Deer and District. Included in accounts payable is \$40,057 (2019 - \$29,506) to Youth HQ Foundation and \$3,265 (2019 - \$2,796) to Big Brothers and Big Sisters of Red Deer and District.

All transactions were conducted in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. Financial instruments

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

Other Price Risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation's investments in mutual funds exposes the Foundation to price risk as these investments are subject to price changes in an open market due to a variety of reasons including in market rates of interest, general economic indicators and restrictions on credit markets.

8. Additional information to comply with the disclosure requirement of the Charitable Fundraising Act and Regulation

The Youth HQ Foundation employs a fund development manager who is responsible for coordinating all fund developmental activities for all of the related societies in Note 1. Staff members from each society provide assistance to the fund development manager as applicable to their related society as required. The total remuneration of the fund development manager was \$66,681 (2019 - \$62,253) of which \$46,677 (2019 - \$43,577) was allocated to this Society.

9. Allocation of expenses

During the year, the following expenses were allocated to the Society from the Youth HQ Foundation:

| | \$ | % | Basis |
|-------------|-----------|----|------------|
| Fundraising | \$ 46,677 | 70 | Time spent |

In the prior year \$43,577 (70%) was allocated based on time spent.

10. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.

BOYS' AND GIRLS' CLUB OF RED DEER & DISTRICT

Notes to Financial Statements

Year Ended December 31, 2020

11. Uncertainty due to COVID-19

In March 2020, the impact of COVID-19 in Canada and on the global economy increased significantly. As COVID-19 continues there could be further effect on the Society that could impact the Society's revenue, expenses and cash flows. At this time, the full potential impact of COVID-19 on the Society is not known.