

Audited Financial Statements of

**BOYS & GIRLS CLUBS OF GREATER
VICTORIA FOUNDATION**

Year ended March 31, 2007



KPMG LLP
Chartered Accountants
St. Andrew's Square II
800 - 730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
Fax (250) 480-3539
Internet www.kpmg.ca

AUDITORS' REPORT

To the Members of the
Boys & Girls Clubs of Greater Victoria Foundation

We have audited the statement of financial position of the Boys & Girls Clubs of Greater Victoria Foundation as at March 31, 2007 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many organizations of this nature, the Boys & Girls Clubs of Greater Victoria Foundation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification was limited to amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donation revenue, expenses, assets or fund balances.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of donation revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Society Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year, other than the adoption of CICA Handbook Section 3855 as discussed in note 13.

Chartered Accountants

Victoria, Canada

May 29, 2007

BOYS & GIRLS CLUBS OF GREATER VICTORIA FOUNDATION

Statement of Financial Position

March 31, 2007, with comparative figures for 2006

| | Operating Fund | Endowment Funds | Capital Fund | Total 2007 | Total 2006 |
|---------------------------------|----------------|-----------------|--------------|------------|------------|
| Assets | | | | | |
| Current assets: | | | | | |
| Cash and short-term deposits | \$ 35,624 | 81,211 | 141,503 | 258,338 | 321,575 |
| Accounts receivable | 3,737 | 344 | 3,511 | 7,592 | 19,251 |
| Due from Endowment Funds | 6,607 | - | - | 6,607 | 13,832 |
| Due from Capital Fund | 242 | - | - | 242 | 5,862 |
| Mortgage receivable (note 3) | - | - | 84,368 | 84,368 | 86,035 |
| | 46,210 | 81,555 | 229,382 | 357,147 | 446,555 |
| Investments (note 2) | - | 342,237 | 256,971 | 599,208 | 315,070 |
| Other assets (note 4) | - | 24,375 | - | 24,375 | 24,375 |
| Property and equipment (note 5) | - | - | 1,685,776 | 1,685,776 | 1,691,210 |
| | - | 366,612 | 1,942,747 | 2,309,359 | 2,030,655 |
| | \$ 46,210 | 448,167 | 2,172,129 | 2,666,506 | 2,477,210 |

Liabilities and Fund Balances

| | | | | | |
|------------------------------------|-----------|---------|-----------|-----------|-----------|
| Current liabilities: | | | | | |
| Due to Operating Fund | \$ - | 6,607 | 242 | 6,849 | 19,694 |
| Accounts payable (note 11) | 25,995 | - | 115,538 | 141,533 | 158,317 |
| Mortgage payable (note 6) | - | - | 725,544 | 725,544 | 804,000 |
| | 25,995 | 6,607 | 841,324 | 873,926 | 982,011 |
| Fund balances: | | | | | |
| Invested in property and equipment | - | - | 894,232 | 894,232 | 821,210 |
| Externally restricted (note 7) | - | 441,560 | 329,428 | 770,988 | 464,289 |
| Internally restricted (note 8) | - | - | 107,145 | 107,145 | 186,281 |
| Unrestricted | 20,215 | - | - | 20,215 | 23,419 |
| | 20,215 | 441,560 | 1,330,805 | 1,792,580 | 1,495,199 |
| | \$ 46,210 | 448,167 | 2,172,129 | 2,666,506 | 2,477,210 |

See accompanying notes to financial statements.

Approved by the Directors:



Director



Director

BOYS & GIRLS CLUBS OF GREATER VICTORIA FOUNDATION

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2007, with comparative figures for 2006

| | Operating Fund | Endowment Funds | Capital Fund | Total 2007 | Total 2006 |
|---|----------------|-----------------|--------------|------------|------------|
| Revenue: | | | | | |
| Donations | \$ 156,716 | 106,488 | 194,598 | 457,802 | 293,482 |
| Provincial grants | - | - | 70,400 | 70,400 | 88,000 |
| Fundraising events (note 9) | 134,470 | - | 595 | 135,065 | 145,131 |
| Use of facilities | - | - | 7,200 | 7,200 | 7,200 |
| Investment income (note 14) | 3,278 | 34,476 | 30,659 | 68,413 | 31,415 |
| Miscellaneous | 500 | - | - | 500 | 2,900 |
| Gaming income | - | - | - | - | 2,500 |
| | 294,964 | 140,964 | 303,452 | 739,380 | 570,628 |
| Expense: | | | | | |
| Donations (note 11) | 240,631 | - | 64,808 | 305,439 | 218,158 |
| Fundraising costs | 39,421 | - | 49,646 | 89,067 | 108,383 |
| Stationery, advertising and postage | 5,322 | - | 510 | 5,832 | 6,318 |
| Accounting, audit and legal fees | 4,500 | - | - | 4,500 | 4,000 |
| Interest | - | - | 43,284 | 43,284 | 37,396 |
| Office and bank charges | 11,656 | - | 1,569 | 13,225 | 13,429 |
| Amortization of property and equipment | - | - | 5,433 | 5,433 | 5,848 |
| Professional fees | 113 | - | 1,900 | 2,013 | 1,574 |
| | 301,643 | - | 167,150 | 468,793 | 395,106 |
| Excess (deficiency) of revenue over expense | (6,679) | 140,964 | 136,302 | 270,587 | 175,522 |
| Fund balances, beginning of year as previously reported | 23,419 | 280,409 | 1,191,371 | 1,495,199 | 1,319,677 |
| Adjustment to opening fund balance (note 13) | - | 26,794 | - | 26,794 | - |
| Fund balances, beginning of year as restated | 23,419 | 307,203 | 1,191,371 | 1,521,993 | 1,319,677 |
| Transfers between funds (note 10) | 3,475 | (6,607) | 3,132 | - | - |
| Fund balances, end of year | \$ 20,215 | 441,560 | 1,330,805 | 1,792,580 | 1,495,199 |

See accompanying notes to financial statements.

BOYS & GIRLS CLUBS OF GREATER VICTORIA FOUNDATION

Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

| | 2007 | 2006 |
|---|-------------------|-------------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Excess of revenue over expense | \$ 270,587 | \$ 175,522 |
| Items not involving cash: | | |
| Contribution of shares | - | (144,698) |
| Gain on sale of investments | - | (10,404) |
| Amortization of property and equipment | 5,433 | 5,848 |
| Unrealized gain from holding securities | (41,381) | - |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | 11,660 | (7,123) |
| Accounts payable and accrued liabilities | (16,787) | 30,007 |
| | <u>229,512</u> | <u>49,152</u> |
| Investing activities: | | |
| Purchase of investments | (292,710) | (387,301) |
| Sale of investments | 76,750 | 579,612 |
| Mortgage receivable receipt | 1,667 | 1,766 |
| Purchase of property and equipment | - | (2,376) |
| | <u>(214,293)</u> | <u>191,701</u> |
| Financing activities: | | |
| Mortgage repayment | (78,456) | (88,000) |
| | <u>(63,237)</u> | <u>152,853</u> |
| Increase (decrease) in cash | (63,237) | 152,853 |
| Cash and short-term deposits, beginning of year | 321,575 | 168,722 |
| Cash and short-term deposits, end of year | <u>\$ 258,338</u> | <u>\$ 321,575</u> |
| Supplementary information: | | |
| Interest paid during the year | <u>\$ 43,284</u> | <u>\$ 37,396</u> |

See accompanying notes to financial statements.

BOYS & GIRLS CLUBS OF GREATER VICTORIA FOUNDATION

Notes to Financial Statements

Year ended March 31, 2007

The Boys & Girls Clubs of Greater Victoria Foundation (the "Foundation") is incorporated under the Society Act (British Columbia) and is registered as a charitable organization. The Foundation is dedicated to enhancing the quality of life in our community through the establishment and stewardship of endowment, capital and operating funds and the distribution of those funds in support of the aims and interests of Boys & Girls Club Services of Greater Victoria ("Club Services") and other institutions, groups or persons relating to youth.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

(a) Fund accounting:

The Operating Fund reports the assets, liabilities, revenues and expenses related to non-capital fundraising and administrative activities.

The Capital Fund reports the assets, liabilities, revenues and expenses related to capital assets.

The Endowment Funds report contributions and related investments externally restricted by donors which must be retained in perpetuity.

(b) Revenue recognition:

The Foundation follows the restricted fund method of accounting.

Unrestricted contributions are recognized as revenue of the Operating Fund when received or when receivable.

Restricted contributions to the Operating Fund are recognized as revenue in the year in which the related expenses are incurred.

Contributions to restricted funds are recognized as revenue of the appropriate restricted fund when received or when receivable.

BOYS & GIRLS CLUBS OF GREATER VICTORIA FOUNDATION

Notes to Financial Statements

Year ended March 31, 2007

1. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Unrestricted investment income is recognized as revenue of the Operating Fund when it is earned. Investment income earned on endowment principal is recognized as revenue of the endowment fund when it is earned. Other restricted investment income is recognized as revenue of the appropriate fund when it is earned.

Investment income which is recognized on the accrual basis includes interest income, dividends, net realized and unrealized gains (losses) on securities.

Contributions of property and equipment are recognized only when fair value as at the date of contribution can be reasonably estimated, the property is to be used in the normal course of operations and would otherwise have been purchased.

(c) Investments:

Effective April 1, 2006, investments are classified as held-for-trading and stated at fair value (see note 13).

In determining fair values, adjustments have not been made for transaction costs. The change in the difference between the fair value and cost of investments at the beginning and end of each year is reflected in the statement of operations and changes in fund balances.

Fair values of investments are determined as follows:

Fixed income securities and equities are valued at year-end quoted market prices where available. Where quoted prices are not available, estimated fair values are calculated using comparable securities. Short-term notes, treasury bills and term deposits maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.

(d) Property and equipment:

Purchased property and equipment is recorded at cost. Contributed property and equipment is recorded at fair value at the date of contribution. Amortization is computed using the declining balance method at the following rates calculated to amortize the cost of the assets over their estimated useful lives.

| Assets | Rate |
|-----------------------|------|
| Building | 4% |
| Office equipment | 20% |
| Property improvements | 10% |

BOYS & GIRLS CLUBS OF GREATER VICTORIA FOUNDATION

Notes to Financial Statements

Year ended March 31, 2007

1. Significant accounting policies (continued):

(e) Volunteers:

A number of people donate time and expertise to Club Services across its operations. As no objective basis exists to record and assign fair values to such contributions the value of this time has not been reflected in these financial statements.

(f) Contributed:

Donated materials are recognized in the financial statements when a fair value can be reasonably established and when the materials are used in the normal course of operations and would otherwise have been purchased.

(g) Use of estimates:

Preparation of financial statements for a period requires management to make estimates and assumptions. Actual results could differ.

(h) Pledges:

Pledges are commitments to give specific dollar amounts within specified periods of time. Pledges are recorded as revenue when payments are received

2. Investments:

| Fair value | 2007 | 2006 |
|--------------------------|-------------------|-------------------|
| Money market instruments | \$ 340,916 | \$ 102,651 |
| Fixed income | 124,193 | 120,000 |
| Equities | 134,099 | 119,212 |
| | <u>\$ 599,208</u> | <u>\$ 341,863</u> |

The Foundation holds financial instruments that include term deposits, short-term notes, bonds, debentures and mortgages. These investments mature at various dates between April 2007 and March 2015 and bear interest at rates ranging from 3.85% to 4.3%

3. Mortgage receivable:

The mortgage receivable bears interest at 6.15%, is due on November 1, 2007 and is carried at amortized cost.

BOYS & GIRLS CLUBS OF GREATER VICTORIA FOUNDATION

Notes to Financial Statements

Year ended March 31, 2007

4. Other assets:

Other assets consist of donated art prints which have been recorded at their estimated fair value at the time of donation.

5. Property and equipment:

| | Cost | Accumulated amortization | 2007 Net book value | 2006 Net book value |
|-----------------------|---------------------|--------------------------|---------------------|---------------------|
| Land | \$ 1,579,591 | \$ - | \$ 1,579,591 | \$ 1,579,591 |
| Building | 113,131 | 13,093 | 100,038 | 104,206 |
| Office equipment | 7,425 | 3,238 | 4,187 | 5,235 |
| Property improvements | 2,376 | 416 | 1,960 | 2,178 |
| | <u>\$ 1,702,523</u> | <u>\$ 16,747</u> | <u>\$ 1,685,776</u> | <u>\$ 1,691,210</u> |

6. Mortgage payable:

| | 2007 | 2006 |
|--|-------------------|-------------------|
| Royal Bank demand loan, interest only payable monthly at Royal Bank prime (March 31, 2007 - 6%) (2006 - 5.5%), due April 16, 2007 | \$ 400,000 | \$ 400,000 |
| Royal Bank demand loan, repayable at \$70,400 per annum with interest payable monthly at Royal Bank prime (March 31, 2007), due April 16, 2007 | 325,544 | 404,000 |
| | <u>\$ 725,544</u> | <u>\$ 804,000</u> |

The above demand loans are secured by a demand collateral mortgage, assignment of rents, and general security agreement covering all assets of the Foundation and Boys & Girls Club Services. The Foundation has also pledged a \$60,000 term deposit as cash collateral.

Minimum principal repayments required for each of the next two years per demand loan terms effective April 17, 2007 are:

| | |
|------|------------|
| 2008 | \$ 514,702 |
| 2009 | 210,842 |

BOYS & GIRLS CLUBS OF GREATER VICTORIA FOUNDATION

Notes to Financial Statements

Year ended March 31, 2007

7. Externally restricted funds:

(a) Endowment Funds:

The Endowment Funds are externally restricted requiring they be maintained in perpetuity and comprise the following:

| | 2007 | 2006 |
|--|-------------------|-------------------|
| The Our Children - Our Future Fund | \$ 155,444 | \$ 94,543 |
| The Harman Family Fund | 63,000 | 63,000 |
| The Mel Cooper Fund for Youth Leadership | 112,531 | 112,531 |
| The Betty Hansen Memorial Fund | 10,585 | 10,335 |
| Youth Leadership Fund | 40,000 | - |
| Adventure Based Learning Fund | 60,000 | - |
| | <u>\$ 441,560</u> | <u>\$ 280,409</u> |

The Our Children - Our Future Fund receives endowment contributions and bequests not directed to a specific endowment fund.

The Harman Family Fund was established to recognize the significant endowment contribution of Robert (Bob) Harman and his family.

The Mel Cooper Fund for Youth Leadership was established to recognize the 40th anniversary of Club Services and to honor Mel Cooper, a long-time supporter of Boys & Girls Clubs. Income from the Mel Cooper Fund is used for youth leadership initiatives within Club Services.

The Betty Hansen Memorial Fund, established in April 2002, honors a long-standing employee and patron and recognizes volunteers who make significant contributions to the Foundation and to Club Services.

The Youth Leadership Fund was established this year from specified contributions to the Create A Ripple Campaign to support Youth Leadership programming carried out by Club Services.

The Adventure Based Learning Fund was established this year from specified contributions to the Create A Ripple campaign. Adventure Based Learning ("ABL") is experimental programming carried out in an outdoor or wilderness setting. The fund is to support development and the carrying out of ABL programming by Club Services.

Distributions from endowment funds are made in accordance with the policies established for each fund in amounts determined by the Board.

BOYS & GIRLS CLUBS OF GREATER VICTORIA FOUNDATION

Notes to Financial Statements

Year ended March 31, 2007

7. Externally restricted funds:

(a) Endowment Funds (continued):

Endowment contributions by fund during the year are as follows:

| | 2007 | 2006 |
|--|-------------------|-----------------|
| The Our Children - Our Future Fund | \$ 6,238 | \$ 1,730 |
| The Harman Family Fund | - | - |
| The Mel Cooper Fund for Youth Leadership | - | - |
| The Betty Hansen Memorial Fund | 250 | - |
| Youth Leadership Fund | 40,000 | - |
| Adventure Based Learning Fund | 60,000 | - |
| | \$ 106,488 | \$ 1,730 |

(b) Capital Fund:

In 2005 the Foundation launched the "Create A Ripple" campaign to raise funds for the Wilderness Camp located in Metchosin. Contributions support the camp purchase, enhancement of existing structures, construction of new facilities and implementation of new services to meet developmental needs of children, youth and families.

Create A Ripple fund balance comprises the following:

| | 2007 | 2006 |
|-------------------------------|-------------------|-------------------|
| Opening balance | \$ 183,880 | \$ 18,816 |
| Create A Ripple contributions | 195,193 | 249,089 |
| Less fundraising expenditures | (49,645) | (84,025) |
| Closing balance | \$ 329,428 | \$ 183,880 |

Unrecognized pledges outstanding for the "Create A Ripple" campaign at March 31, 2007 are \$270,025 (2006 - \$351,385) and are expected to be collected as follows:

| | |
|------------------|-----------|
| 2008 | \$ 89,158 |
| 2009 | 76,107 |
| 2010 | 76,642 |
| Subsequent years | 28,118 |

BOYS & GIRLS CLUBS OF GREATER VICTORIA FOUNDATION

Notes to Financial Statements

Year ended March 31, 2007

8. Internally restricted fund balances:

The Capital Fund balance not invested in property and equipment is internally restricted for future repairs or upgrades to and purchases of property and equipment.

9. Fundraising events:

The Foundation performs fundraising activities to benefit Club Services. During 2007, the Foundation hosted three major events - the U-Select Chuck Dalsin Memorial Golf Tournament, Critical Matters Conference, and in partnership with BC Paraplegic Association, Monopoly Madness.

10. Transfers between funds:

Transfers of \$6,607 (2006 - \$13,832) from endowment funds to the Operating Fund were made in accordance with the purposes established for each fund. The transfer of \$3,132 from the Operating Fund to the Capital Fund represents unrestricted investment income.

11. Related party:

Club Services has the ability to exercise significant influence over the Foundation as a result of having certain directors in common. During the year, the Foundation made charitable disbursements totaling \$260,597 (2006 - \$116,615) to support the programs operated by Club Services. At year end accounts payable includes a balance payable to Club Services totaling \$115,540 (2006 - \$151,408).

12. Financial instruments:

The carrying value of the Foundation's cash, investments, due to/from other funds, accounts receivable, mortgage receivable, accounts payable, mortgage payable approximates their fair value except as otherwise noted.

13. Accounting policy change:

Effective April 1, 2006, the Foundation adopted CICA Handbook Section 3855, Financial Instruments - Recognition and Measurement. The Foundation has designated all of its investments as held-for-trading, and carries them at fair value

Fund balances as at April 1, 2006 have been restated to adjust for unrealized gains in investments of \$26,794.

BOYS & GIRLS CLUBS OF GREATER VICTORIA FOUNDATION

Notes to Financial Statements

Year ended March 31, 2007

14. Investment income:

| | 2007 | | 2006 | |
|------------------------------|------|--------|------|--------|
| Unrealized gains (note 1(c)) | \$ | 41,381 | \$ | - |
| Interest | | 24,654 | | 21,010 |
| Gain on sale of securities | | 2,378 | | 10,405 |
| | \$ | 68,413 | \$ | 31,415 |