

EAST SCARBOROUGH BOYS & GIRLS CLUB

FINANCIAL STATEMENTS

DECEMBER 31, 2019



EAST SCARBOROUGH BOYS & GIRLS CLUB
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CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 18





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INDEPENDENT AUDITORS' REPORT

To the Directors and Members of the
East Scarborough Boys & Girls Club

Qualified Opinion

We have audited the accompanying financial statements of **East Scarborough Boys & Girls Club**, which comprise the Statement of Financial Position as at December 31, 2019 and the Statements of Operations, Changes In Net Assets and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 **East Scarborough Boys & Girls Club** as at December 31, 2019, 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.

Basis for Qualified Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the **East Scarborough Boys & Girls Club** in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

In common with many charitable organizations, the **East Scarborough Boys & Girls Club** derives revenue from fundraising events and donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our audit of these revenues was limited to the amounts recorded in the records of the **East Scarborough Boys & Girls Club** and we were not able to determine whether any adjustments might be necessary for recorded donations, the excess of revenue over expenses, cash flows from operating activities for the years ended December 31, 2019 and December 31, 2018, and net assets as at January 1 and December 31 for both 2019 and 2018. Consequently, we expressed a qualified opinion on the financial statements for the year ended December 31, 2019, because of the possible effects of this scope limitation.

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

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

INDEPENDENT AUDITORS' REPORT

Auditors' 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 Club'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 Club'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 Club's 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.



Vaughan, Ontario
August 20, 2020

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS



EAST SCARBOROUGH BOYS & GIRLS CLUB
(Incorporated under the laws of Ontario without share capital)

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

	2019	2018
	\$	\$ (Note 19)
ASSETS		
CURRENT		
Cash	1,718,834	1,529,340
Investments (Note 3)	1,351,323	1,315,903
Funding receivable (Note 4)	281,498	141,876
Accounts receivable (Note 5)	293,097	65,726
Prepaid and sundry	<u>72,249</u>	<u>66,449</u>
	3,717,001	3,119,294
PROPERTY AND EQUIPMENT (Note 6)	395,982	157,944
INVESTMENTS (Note 3)	165,270	151,634
	<u>4,278,253</u>	<u>3,428,872</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	249,820	255,834
Deferred contributions (Note 7)	1,491,403	1,173,873
Funds held for outside programs (Note 8)	<u>141,982</u>	<u>88,385</u>
	1,883,205	1,518,092
DEFERRED PROPERTY AND EQUIPMENT CONTRIBUTIONS (Note 9)	391,828	157,944
DEFERRED BUILDING EXPANSION CONTRIBUTIONS (Note 10)	<u>351,446</u>	<u>255,203</u>
	2,626,479	1,931,239
NET ASSETS		
Invested in property and equipment	4,154	-
Programs (Note 11)	374,011	309,723
Internally restricted contingency reserve (Note 12)	179,392	179,392
Endowment (Note 13)	185,165	175,528
Unrestricted	<u>909,052</u>	<u>832,990</u>
	1,651,774	1,497,633
	<u>4,278,253</u>	<u>3,428,872</u>
Guarantees and Indemnities (Note 15)		
Commitments (Note 17)		
Subsequent events (Note 18)		

APPROVED ON BEHALF OF THE BOARD

Director

Director

The accompanying notes are an integral part of these financial statements.



EAST SCARBOROUGH BOYS & GIRLS CLUB

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2019

	2019	2018
	\$	\$ (Note 19)
REVENUES		
Fees and grants from government		
City of Toronto childcare fees	1,741,542	1,475,220
City of Toronto grants	1,589,732	1,758,735
Provincial grants	399,834	381,325
Federal grants	<u>133,056</u>	<u>192,095</u>
	<u>3,864,164</u>	<u>3,807,375</u>
Other revenue		
Fees from users	1,317,450	967,341
United Way grants	544,525	540,873
Other Agency Fees	229,572	284,119
Donations and other grants	157,615	175,597
Fund-raising activities	152,755	90,399
Miscellaneous	49,722	47,264
Interest	<u>35,445</u>	<u>28,825</u>
	<u>2,487,084</u>	<u>2,134,418</u>
TOTAL REVENUES	<u>6,351,248</u>	<u>5,941,793</u>
EXPENSES		
Salaries and benefits	4,853,193	4,456,056
Recreation and education	332,451	424,605
Food services	239,359	205,657
Building occupancy	195,104	185,510
Professional and consulting fees	176,693	57,732
Staff training	111,327	35,870
Office and general	85,227	124,882
Amortization	55,993	55,753
Fund-raising activities	46,028	53,483
Transportation	40,049	33,154
Promotion and publicity	26,550	27,011
Miscellaneous	23,316	27,669
Repairs and maintenance	15,603	6,647
Recruitment and education	<u>5,851</u>	<u>4,814</u>
TOTAL EXPENSES	<u>6,206,744</u>	<u>5,698,843</u>
EXCESS OF REVENUES OVER EXPENSES	<u>144,504</u>	<u>242,950</u>

The accompanying notes are an integral part of these financial statements.



EAST SCARBOROUGH BOYS & GIRLS CLUB

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2019

	Invested in Property and Equipment	Programs	Internally Restricted Contingency Reserve Fund	Unrestricted	Endowment	Total 2019	Total 2018
	\$	\$	\$	\$	\$	\$	\$
			(Note 12)				(Note 19)
BALANCE, beginning of year	-	309,723	179,392	832,990	175,528	1,497,633	1,258,210
Excess of revenue over expenses	-	-	-	144,504	-	144,504	242,950
Property and equipment contributions received	(288,839)	-	-	288,839	-	-	-
Amortization of deferred property and equipment contributions	54,955	-	-	(54,955)	-	-	-
Purchase of property and equipment	294,031	-	-	(294,031)	-	-	-
Amortization	(55,993)	-	-	55,993	-	-	-
Inter-fund transfers	-	64,288	-	(64,288)	-	-	-
Unrealized investment gain/(loss) on endowments	-	-	-	-	13,637	13,637	(20,304)
Donations to endowments	-	-	-	-	-	-	21,377
Scholarships paid out	-	-	-	-	(4,000)	(4,000)	(4,600)
BALANCE, end of year	4,154	374,011	179,392	909,052	185,165	1,651,774	1,497,633

The accompanying notes are an integral part of these financial statements.



EAST SCARBOROUGH BOYS & GIRLS CLUB

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2019

	2019	2018
	\$	\$ (Note 19)
Cash flows from operating activities		
Cash receipts from grants and fees from governments	4,101,262	4,147,556
Cash receipts from United Way	589,233	366,041
Cash receipts from other revenues	1,262,324	1,185,593
Cash receipts from donations, other grants, scholarship donations and fund-raising activities	502,245	288,352
Interest received	49,082	8,521
Cash paid to employees and suppliers	(6,162,564)	(5,685,123)
Cash paid for scholarship disbursements	(4,000)	(4,600)
	337,582	306,340
Cash flows from investing activities		
Purchase of property and equipment	(294,032)	(139,282)
Building expansion	195,000	-
Purchase of short term deposits - net	(49,056)	(8,514)
	(148,088)	(147,796)
Increase in cash during the year	189,494	158,544
Cash, beginning of year	1,529,340	1,370,796
Cash, end of year	1,718,834	1,529,340

The accompanying notes are an integral part of these financial statements.



EAST SCARBOROUGH BOYS & GIRLS CLUB

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

1. PURPOSE OF THE ORGANIZATION

The East Scarborough Boys & Girls Club ("the Club") is a registered charitable organization incorporated without share capital under the laws of Ontario and, as such, is exempt from income tax.

The Club is a voluntary organization providing a wide range of programs and services through professional staff, part-time program staff and volunteers. These services include social, recreational and educational programs for children to young adults from birth to 24 years of age.

2. ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). The following summarizes the most significant accounting policies followed in the preparation of these statements.

(i) Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from those estimates.

Financial statement items subject to significant management judgement include revenue recognition, the net realizable value of funding receivable, the completeness of accounts payable and accrued liabilities, the calculation of deferred revenues and the useful lives and amortization rates of property and equipment.

(ii) Property and equipment

Property and equipment are recorded at cost. Amortization is provided over the estimated useful lives of the assets using the following annual rates and methods:

Furniture and equipment	straight line over 5 years
Leasehold improvements	straight line over 5 years
Vehicles	straight line over 5 years

(iii) Impairment of property and equipment

Property and equipment are tested for recoverability whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset with its expected future net undiscounted cash flows from use together with its residual value. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds its net recoverable value. Any impairment results in a write-down of the asset and a charge to income during the year.

(iv) Deferred property and equipment contributions

Funds received for the acquisition of property and equipment are deferred and recognized as revenue in the accompanying statement of changes in net assets on the same basis as the amortization of the related asset.



EAST SCARBOROUGH BOYS & GIRLS CLUB

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

2. ACCOUNTING POLICIES, continued

(v) Revenue recognition

The Club follows the deferral method of accounting for grants. Accordingly, contributions subject to externally imposed restrictions are recorded initially as deferred revenue and are subsequently recognized as revenue in the period in which the related expenses are incurred.

Contributions from governments, foundations and other funding agencies that are not for specific purposes are recorded as revenue when received, or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenues and expenses from fund-raising activities are recognized as revenue in the period in which the event takes place.

Fees from users are recognized as revenue when the corresponding service has been performed.

Donations are recognized as revenue when received.

Investment income consists of interest, dividends and realized and unrealized gains and losses. The Club records investments at fair value. Interest income is recognized on the accrual basis of accounting and dividends are recognized as they are received.

All other revenue is recognized when earned if the amount to be received can be reasonably estimated and collection is reasonably assured.

(vi) Contributed goods and services

Donated goods and services are recorded in the accounts of the Club when the fair market value of the goods and services can reasonably be estimated and when the goods and services are normally purchased by the Club and would be paid for if not donated.

The efforts of volunteer workers are not reflected in the accompanying financial statements as no objective basis is available to measure the value of such services. The Club benefits greatly from donated services in the form of significant volunteer hours for various activities.

(vii) Financial instruments

Financial assets and financial liabilities are recognized when the Club becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expire.

The Club initially measures its financial assets and financial liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.



EAST SCARBOROUGH BOYS & GIRLS CLUB

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

2. ACCOUNTING POLICIES, continued

(vii) Financial instruments, continued

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

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

The Club's transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in the statement of operations in the period incurred. The carrying amount of the financial instruments that will not be subsequently measured at fair value is adjusted for transaction costs directly attributable to the origination, issuance or assumption of these instruments.

3. INVESTMENTS

Investments are classified by asset-mix category based on the intent of the investment strategies of the underlying portfolio.

The fair values of investments are as follows:

	2019	2018
	\$	\$
Canadian equities	165,270	151,634
CIBC Wood Gundy Renaissance High Interest Savings Account	820,001	276,515
Guaranteed investment certificates	531,322	1,039,388
	1,516,593	1,467,537
Less: Amounts reported as short-term investments	1,351,323	1,315,903
	165,270	151,634

Guaranteed investment certificates are from several financial institutions, each no greater than \$100,000 per institution, earning interest at rates ranging from 1.50% to 3.05%, maturing on dates ranging between November 2020 and February 2021, and includes accrued interest earned of \$300.



EAST SCARBOROUGH BOYS & GIRLS CLUB

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

4. FUNDING RECEIVABLE

Funding receivable comprises the following:

	2019	2018
	\$	\$
City of Toronto and Childcare Fees	281,498	87,865
Other Funding Receivable	-	54,011
	281,498	141,876

5. ACCOUNTS RECEIVABLE

Accounts receivable comprise the following:

	2019	2018
	\$	\$
Other receivables	229,690	15,707
HST recoverable	63,407	50,019
	293,097	65,726

6. PROPERTY AND EQUIPMENT

Details of property and equipment are as follows:

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	\$	\$	\$	\$
Furniture and equipment	63,338	50,839	50,366	43,913
Leasehold improvements	558,672	180,590	277,612	146,008
Vehicles	72,436	67,035	72,436	52,549
	694,446	298,464	400,414	242,470
Net Book Value	395,982		157,944	



EAST SCARBOROUGH BOYS & GIRLS CLUB

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

7. DEFERRED CONTRIBUTIONS

Deferred contributions represent contributions received in the current year relating to expenditures of future periods. Changes in deferred contributions are as follows:

	2019	2018
	\$	\$
Restricted contributions		
Balance, beginning of year	1,173,873	924,363
Amounts received during the year	3,009,741	2,044,585
Amounts recognized as revenue during the year	(2,692,211)	(1,795,075)
	1,491,403	1,173,873

Deferred contributions are allocated as follows:

	2019	2018
	\$	\$
Foundations and other	929,544	829,132
City of Toronto	561,859	344,741
	1,491,403	1,173,873

8. FUNDS HELD FOR OUTSIDE PROGRAMS

At year end, the Club held funds on account for LEAPS, Tamil, Mornelle Coalition and OBYAP programs which are programs that are not managed by the Club.



EAST SCARBOROUGH BOYS & GIRLS CLUB

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

9. DEFERRED PROPERTY AND EQUIPMENT CONTRIBUTIONS

Deferred property and equipment contributions are as follows:

	2019	2018
	\$	\$
Balance, beginning of year	157,944	72,065
Transfer from deferred building expansion contributions	98,757	139,282
Amounts invoiced to City	190,082	-
Amounts recognized as revenue	(54,955)	(53,403)
	391,828	157,944

10. DEFERRED BUILDING EXPANSION CONTRIBUTIONS

The building expansion fund ("the Fund") is used to set aside funds specifically from externally restricted contributions for the addition to the building at 100 Galloway Road, Scarborough, Ontario occupied by the Club.

Expansion of this building, which is owned by the City of Toronto, commenced during the 2010 fiscal year and was completed during the summer of 2011. Amounts recognized as revenue during the fiscal years 2010 to 2014 corresponded to costs incurred to relocate certain of the Club's facilities during construction, and, during the 2012 and 2013 fiscal years, to additions to security and computer equipment at the building. Under the Recreational Infrastructure Canada Program in Ontario and Ontario REC, the Club's total obligations for the building addition amounted to \$900,000. During 2012, the Club received notification from the City of Toronto that it had no further obligations to the City or to the federal and provincial governments. It is the intention of the Club to spend the surplus in the Fund as at December 31, 2019 on further additions and upgrades to the building and its facilities and will recognize corresponding amounts from the Fund as revenue at that time (See note 17). In 2014, the Board of Directors approved the transfer of \$130,000 from the deferred building expansion fund towards the creation of the Accelerating Change Educational (ACE) Scholarship Fund. In 2016 the Board of Directors approved the use of \$27,013 to purchase a new van. In 2017 the Board of Directors approved the use of \$38,929 to purchase a new dishwasher, bunker and undergo washroom renovations. In 2018, the Board of Directors approved the use of \$139,282 for renovation of first and second floor at 100 Galloway. In 2019, the Board of Directors approved the renovation of a commercial kitchen and and infant & toddler room at 100 Galloway. The Club received \$195,000 from Trilium Foundation and the Boys and Girls Club of Canada. This renovation will be completed in Summer 2020. \$98,757 of the received funding was transferred to property and equipment in 2019.



EAST SCARBOROUGH BOYS & GIRLS CLUB

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

10. DEFERRED BUILDING EXPANSION CONTRIBUTIONS, continued

The deferred building expansion contributions and disbursements to December 31, 2019 were as follows:

	2019	2018
	\$	\$
Balance, beginning of year	255,203	394,485
Contributions received	195,000	-
Transfer to Property and Equipment	(98,757)	(139,282)
	351,446	255,203

11. PROGRAMS

Program net assets represent the net accumulated surplus of City of Toronto Children's Services Department funded programs. The net asset balances comprise the aggregate fees and grants received less expenses:

	2019	2018
	\$	\$
Eastside Club	157,424	153,407
Eastside Childcare Centre	116,604	102,053
East Scarborough Childcare Centre	63,152	513
West Rouge	26,936	24,406
St. Brendan CS Extended	23,626	27,820
William G. Davis	8,442	10,620
Charlottetown	1,480	(7,746)
EarlyOn	(1,976)	-
Inclusion Services	(6,903)	(7,284)
St. Ursula	(14,774)	5,934
	374,011	309,723

12. INTERNALLY RESTRICTED CONTINGENCY RESERVE

The main purpose of the contingency reserve fund is to set aside a portion of net proceeds from fundraising events to cover potential short-falls or losses from future events. During the year, the Board set aside \$NIL (2018 - \$NIL) for these purposes.



EAST SCARBOROUGH BOYS & GIRLS CLUB

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

13. ENDOWMENT

In 2014, the Board of Directors created the Accelerating Change Educational (ACE) Scholarship Fund for the purpose of providing assistance to students who might be financially unable to obtain post-secondary education, it also recognizes a student's performance and participation in their community.

The endowment consists of internal resources transferred by the Board of Directors in the exercise of its discretion who may have the right to subsequently decide to remove the designation. The investment income generated from the endowment must be used as needed for the Accelerating Change Educational (ACE) Scholarship Fund. The Club ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

	2019	2018
	\$	\$
Balance, beginning of year	175,528	179,055
Donations	-	21,377
Scholarships paid out	(4,000)	(4,600)
Investment income, net of fees and expenses	13,637	(20,304)
	185,165	175,528

14. TORONTO CHILDREN'S SERVICES WAGE GRANTS

	General Operating Fund 2019	Pay Equity	General Operating Fund 2018	Provincial Wage Enhancement
	\$	\$	\$	\$
Deferred from prior years	42,438	4,806	25,056	-
Received in this fiscal year	173,837	15,023	-	121,632
Wage grants expensed in this fiscal year according to Child Care and Early Years Act 2014	(216,275)	(19,223)	(25,056)	(121,632)
Wage subsidies returned to Children's Services this fiscal year.	-	-	-	-
Wage subsidies deferred to future years	-	(606)	-	-
	-	-	-	-



EAST SCARBOROUGH BOYS & GIRLS CLUB

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

15. GUARANTEES AND INDEMNITIES

The Club has indemnified its past, present and future directors, officers and volunteers against expenses (including legal expenses), judgements and any amounts actually and reasonably incurred by them in connection with any action, suit or proceeding, subject to certain restrictions. The Club has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits and actions, but there is no guarantee that the coverage will be sufficient should any action arise.

In the normal course of operations, the Club has entered into agreements that include indemnities in favour of third parties, either express or implied, such as in service contracts, lease agreements or sales and purchase contracts. In these agreements, the Club agrees to indemnify the counterparties in certain circumstances against losses or liabilities arising from the acts or omissions of the Club. The maximum amount of any potential liability cannot be reasonably estimated and will be expensed in the year paid.

16. FINANCIAL INSTRUMENTS

The Club's financial instruments measured at amortized cost comprise cash, investments, funding receivable, accounts receivable, accounts payable and accrued liabilities and funds held for outside programs. Unless otherwise noted, it is management's opinion that the Club is not exposed to significant risks arising from these financial instruments. The fair values of the Club's financial instruments approximate their carrying values, unless otherwise noted, due to their short terms to maturity or interest rates which management believes approximate those for instruments available in the current market under similar terms and conditions.

The Club's risk management policies are established to identify and analyze the risks faced by the Club, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Club's activities. There have been no changes to the Club's exposure to risks in respect of its financial instruments, and there have been no changes in respect of management's objectives, policies and processes in the management of its financial instruments from that of the prior reporting period.

(i) Liquidity risk

The Club manages its liquidity risk by constantly monitoring forecasted and actual cash flows and financial liability maturities and by holding financial assets that can be readily converted into cash. All of the Club's investments are considered to be readily realizable as they can be quickly liquidated at amounts close to their fair value.



EAST SCARBOROUGH BOYS & GIRLS CLUB

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

16. FINANCIAL INSTRUMENTS, continued

(ii) Other price risk

The Club is exposed to other price risk through changes in market prices (other than changes arising from interest rate or currency risks) in connection with its investments in equity securities. The Club's Board of Directors has approved a statement of Financial Management Policies and Procedures that provides the guidelines for managing investments of the Club. Through this approach, investments are strategically made to achieve a reasonable rate of return in a manner that does not jeopardize or interfere with the Club's normal operations and ensures sufficient cash flow for near-term operations and for funding capital replacement projects from time to time. The purchase of investments greater than \$100,000 requires the approval of the Club's Executive Committee and Board of Directors.

(iii) Credit risk

Concentration of credit risk relates primarily to the Club's cash, amounts that are due from various government funding programs as presented in Note 4 and investments. At December 31, 2019 the Club's cash balance of \$2,536,585 was held by a single major financial institution and is in excess of the amount guaranteed by the Canada Deposit Insurance Corporation of \$100,000. There is no indication that the financial institution is in distress and will not be able to return the Club's deposits on hand. The Club's investments in guaranteed investment certificates are held with different financial institutions in amounts not exceeding \$100,000 per financial institution.

(iv) Interest rate and market risks

The Club's exposure to the risk of changes in market interest rates relates primarily to the Club's cash and investments. All other financial assets and liabilities, in the form of funding receivable, accounts receivable, accounts payable and accrued liabilities and funds held for outside programs, are non-interest bearing. The Club is exposed to changes in the market values of its investments. The value of the investments with CIBC Wood Gundy and BMO is guaranteed not to decline below original cost.

The Club currently does not engage in any hedging or derivative transactions to mitigate the possible effects of its interest rate or market risks.



EAST SCARBOROUGH BOYS & GIRLS CLUB

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

17. COMMITMENTS

- (i) The building in which the Club operates was erected on lands owned by the City of Toronto and ownership of the building was formally transferred to the City in 1981, for the consideration that maintenance and other occupancy costs be borne by the City.

The Club has a rental agreement with the City of Toronto for use of the building at a nominal annual fee. The agreement continues on a year-to-year basis.

- (ii) The Club leases another premise under a long term lease which will expire December 31, 2020. Under this lease, the Club has the following obligations for annual rental payments, exclusive of operating costs:

2020	\$ <u>49,708</u>
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As at the financial statement date, the Club is in the process of negotiating a new lease with the landlord and rental payments continue on a month to month basis.

18. SUBSEQUENT EVENTS

- (i) On June 24, 2020 the Club purchased real estate located at 62 Orchard Park Drive in Toronto, Ontario with a purchase price of \$3,650,000. At the completion of the sale the vendor agreed to a vendor take back mortgage in the amount of \$2,650,000.
- (ii) As of January 2020, the World Health Organization (WHO) declared the coronavirus (COVID-19) outbreak to be a public health emergency, reactions and responses to COVID-19 continues to evolve and change. On March 23, 2020 the Government of Ontario ordered the closure of all non-essential businesses effective March 24, 2020. The general programs and services offered by East Scarborough Boys & Girls Club (ESBGC) were deemed non-essential by the Government and as a result, the majority of the part-time staff were given a temporary layoff notice. ESBGC maintains its full time staff to host virtual programs and assist the families within the community. A small number of part-time staff were maintained to assist with administrative assignments and the Agency's new hot food program (delivery of food and essential items) to families within the community during the pandemic period.

The implications of this virus are far reaching. It's impacting the daily operations and economics of many businesses. With the concerns over spreading illness, some entities have implemented protective measures including:

- restrictions on the movement of people,
- cancellation of conferences and large meetings,
- work-from-home arrangements for personnel,
- closures of facilities, head offices, operating branches, and
- limits on non-essential travel.

The extent of any future financial impact as a result of COVID-19 cannot be determined with certainty as the agency is waiting for a majority of its funders to respond with new reporting procedures and funding allocations.



EAST SCARBOROUGH BOYS & GIRLS CLUB

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

19. COMPARATIVE FIGURES

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

