HAMILTON EAST KIWANIS BOYS AND GIRLS CLUB INC.

Financial Statements
for the Year Ended December 31, 2016
and Independent Auditors' Report to the Directors

HAMILTON EAST KIWANIS BOYS AND GIRLS CLUB INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2016

CONTENTS

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, 2016 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 (deficiency) of revenue over expenses, and cash flows from operations for the years ended December 31, 2016 and 2015, current assets at December 31, 2016 and 2015 and net assets as at January 1 and December 31 for both the 2016 and 2015 years. Our audit opinion on the financial statements for the year ended December 31, 2015 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, 2016, 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

Durward Jones Barkwell & Company LLP
Licensed Public Accountants

May 18, 2017

HAMILTON EAST KIWANIS BOYS AND GIRLS CLUB INC.

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2016

	2016	2015
REVENUE		
Grants		
Federal	**$ 35,166**	$ 57,909
Provincial	**1,401,363**	1,433,158
Municipal	**953,164**	865,314
United Way	**82,839**	87,117
Kiwanis Club of Hamilton East	**53,367**	130,900
Other	**418,794**	530,285
Program fees	**1,338,105**	1,229,131
Donations	**168,903**	66,455
Fundraising	**69,398**	67,027
Rental income	**34,720**	26,733
Memberships	**11,377**	14,691
Other	**137,830**	124,100
	4,705,026	4,632,820
EXPENSES		
Program		
Wages and benefits	**3,187,143**	3,327,927
Supplies	**520,711**	499,892
Occupancy	**185,094**	192,685
Travel and training	**82,751**	84,865
Promotion	**25,164**	29,830
	4,000,863	4,135,199
Administration		
Wages and benefits	**351,323**	339,514
Office and general	**112,913**	129,040
Professional fees	**27,204**	35,448
Insurance	**25,557**	25,313
	516,997	529,315
	4,517,860	4,664,514
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	**187,166**	(31,694)
NET ASSETS, BEGINNING OF YEAR	**675,757**	707,451
NET ASSETS, END OF YEAR - Page 9	**$ 862,923**	$ 675,757

HAMILTON EAST KIWANIS BOYS AND GIRLS CLUB INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

	2016	2015
ASSETS		
Current assets		
Cash	**$ 416,206**	$ 455,554
Short-term investments (Note 2)	**1,122,830**	513,528
Accounts receivable	**113,107**	191,930
Sales tax recoverable	**44,861**	52,345
Prepaid expenses	**33,865**	24,605
	$ 1,730,869	$ 1,237,962
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**$ 239,758**	$ 213,823
Deferred revenue (Note 3)	**628,188**	348,382
	867,946	562,205
NET ASSETS - Page 9		
Internally restricted		
Capital	**254,835**	204,835
Vehicle	**-**	50,000
On Top of the World for Kids	**83,257**	83,557
Outreach program	**103,864**	103,864
Nutrition program	**27,255**	30,426
NGen	**60,837**	19,307
Unrestricted	**332,875**	183,768
	862,923	675,757
	$ 1,730,869	$ 1,237,962

Approved by the Board:

.... Director .... Director

HAMILTON EAST KIWANIS BOYS AND GIRLS CLUB INC.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	$ 187,166	$ (31,694)
Changes in non-cash operating assets and liabilities		
Accounts receivable	78,823	(110,715)
Sales tax recoverable	7,484	4,514
Prepaid expenses	(9,260)	(11,855)
Accounts payable and accrued liabilities	25,935	(7,072)
Deferred revenue	279,806	68,900
	569,954	(87,922)
INVESTING ACTIVITY		
Increase in short-term investments	(609,302)	(7,130)
DECREASE IN CASH	(39,348)	(95,052)
CASH, BEGINNING OF YEAR	455,554	550,606
CASH, END OF YEAR	$ 416,206	$ 455,554

HAMILTON EAST KIWANIS BOYS AND GIRLS CLUB INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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.

Vehicle
The Vehicle restriction was established to provide for the future purchase of a program vehicle.

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, 2016

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. The excess contribution is recovered by MOHLTC through deductions from funding in the following fiscal year.

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. Donations and fundraising revenue are recognized when received or receivable.

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, repairs and minor purchases of furniture and equipment for operations, which are the responsibility of the Club, are charged to expense in the statement of operations.

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

(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.

HAMILTON EAST KIWANIS BOYS AND GIRLS CLUB INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION - continued

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. 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.

3. DEFERRED REVENUE

	2016	2015
Grants		
Provincial	**$ 65,767**	$ 26,599
Municipal	**139,117**	114,598
Foundations	**316,392**	141,501
Other	**37,320**	11,123
	558,596	293,821
Unexpended Nevada/Bingo proceeds	**69,592**	54,561
	$ 628,188	$ 348,382

4. 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 $52,806 of employer pension contributions into the plan (2015 - $46,559).

HAMILTON EAST KIWANIS BOYS AND GIRLS CLUB INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

5. COMMITMENTS

The Club has entered into equipment and facility lease agreements which expire at dates between August 2017 and December 2021, and require the following minimal annual payments over the next five years:

2017	$ 54,209
2018	38,728
2019	38,712
2020	33,712
2021	24,000
	$ 189,361

6. 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.

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

7. 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.

8. 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, 2016

		Internally restricted (Note 1)							
	Unrestricted	Capital	Vehicle	On Top of the World for Kids	Outreach	Nutrition	NGen	2016 Total	2015 Total
Balance, beginning of year	$ 183,768	$ 204,835	$ 50,000	$ 83,557	$ 103,864	$ 30,426	$ 19,307	**$ 675,757**	$ 707,451
Excess (deficiency) of revenue over expenses	149,107	-	-	(300)	-	(3,171)	41,530	**187,166**	(31,694)
Transfers between restricted net assets (Note 1)	-	50,000	(50,000)	-	-	-	-	**-**	-
Balance, end of year	$ 332,875	$ 254,835	$ -	$ 83,257	$ 103,864	$ 27,255	$ 60,837	**$ 862,923**	$ 675,757