Boys and Girls Clubs of Winnipeg Inc.
Financial Statements
December 31, 2012

MNP LLP

Independent Auditors' Report

To the Board of Directors of Boys and Girls Clubs of Winnipeg Inc.:

We have audited the accompanying financial statements of Boys and Girls Clubs of Winnipeg Inc., which comprise the statement of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011 and the statements of operations and changes in net assets, schedule 1 – special projects and cash flows for the years ended December 31, 2012 and December 31, 2011 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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 not-for-profit organizations, the Agency derives a significant portion of its revenues from fundraising initiatives, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Agency and were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, assets and net assets.

Qualified Opinion

In our opinion, except for the effects of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves with respect to the completeness of revenue, as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of Boys and Girls Clubs of Winnipeg Inc. as at December 31, 2012, December 31, 2011 and January 1, 2011 and the results of its operations, changes in net assets and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting for not-for-profit organizations.

Winnipeg, Manitoba

April 4, 2013

MNP LLP

Chartered Accountants

Boys and Girls Clubs of Winnipeg Inc.
Statement of Financial Position
As at December 31, 2012

	Operating Fund	Capital Fund	Replacement Reserve Fund	2012	2011	January 1 2011
Assets						
Current						
Cash and equivalents *(Note 4)*	1,161,532	-	158,256	**1,319,788**	967,788	993,047
Accounts receivable (*Note 5*)	61,290	-	-	**61,290**	66,001	77,936
Prepaid expenses	24,350	-	-	**24,350**	9,792	10,605
	1,247,172	-	158,256	**1,405,428**	1,043,581	1,081,588
Capital assets *(Note 6)*	-	35,604	-	**35,604**	68,472	103,341
Investments - restricted *(Notes 7,11)*	338,080	-	-	**338,080**	253,072	194,192
Scholarship trust assets (*Note 8)*	3,000	-	-	**3,000**	4,000	5,000
	1,588,252	35,604	158,256	**1,782,112**	1,369,125	1,384,121
Liabilities						
Current						
Accounts payable and accrued expenses *(Note 9)*	143,168	-	-	**143,168**	132,165	108,038
Deferred contributions *(Note 10)*	698,628	-	-	**698,628**	538,202	685,222
	841,796	-	-	**841,796**	670,367	793,260
Deferred contributions - restricted *(Notes 7,11)*	338,080	-	-	**338,080**	253,072	194,192
Scholarship trust liabilities *(Note 8)*	3,000	-	-	**3,000**	4,000	5,000
	1,182,876	-	-	**1,182,876**	927,439	992,452
Net Assets						
Fund Balances						
Restricted - internally	-	-	158,256	**158,256**	125,212	92,168
Invested in capital assets	-	35,604	-	**35,604**	68,472	103,341
Unrestricted net assets	405,376	-	-	**405,376**	248,002	196,160
	405,376	35,604	158,256	**599,236**	441,686	391,669
	1,588,252	35,604	158,256	**1,782,112**	1,369,125	1,384,121

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

MNP LLP

Boys and Girls Clubs of Winnipeg Inc.
Statement of Operations and Changes in Net Assets
For the period ended December 31, 2012

	Operating Fund	Capital Fund	Replacement Reserve Fund	2012	2011
Revenues					
Operating Contributions					
Province of Manitoba	448,900	-	-	**448,900**	448,350
United Way	502,547	-	-	**502,547**	502,350
City of Winnipeg	119,148	-	-	**119,148**	120,787
Special projects support and administration	256,626	-	13,044	**269,670**	204,348
Fundraising	77,019	-	-	**77,019**	66,766
Interest	11,379	-	-	**11,379**	10,653
Donations	143,013	-	-	**143,013**	56,546
Special projects *(Schedule 1)*	2,653,435	-	-	**2,653,435**	2,572,153
	4,212,067	-	13,044	**4,225,111**	3,981,953
Expenses					
Amortization	-	32,868	-	**32,868**	34,869
Facilities	48,598		-	**48,598**	39,283
Fundraising	24,236	-	-	**24,236**	25,568
General	120,393	-	-	**120,393**	100,458
Programming and supplies	82,832	-	-	**82,832**	83,322
Public relations	3,184	-	-	**3,184**	676
Salaries and benefits	1,068,018	-	-	**1,068,018**	1,036,009
Staff training	12,195	-	-	**12,195**	17,354
Transportation	34,980	-	-	**34,980**	34,716
Special projects *(Schedule 1)*	2,640,257	-	-	**2,640,257**	2,559,681
	4,034,693	32,868	-	**4,067,561**	3,931,936
Excess (deficiency) of revenues over expenses	177,374	(32,868)	13,044	**157,550**	50,017
Net assets, beginning of year	248,002	68,472	125,212	**441,686**	391,669
Inter-fund transfers *(Note 12)*	(20,000)	-	20,000	**-**	-
Net assets, end of year	405,376	35,604	158,256	**599,236**	441,686

Boys and Girls Clubs of Winnipeg Inc.
Statement of Cash Flows
For the year ended December 31, 2012

	2012	2011
Cash provided by (used for) the following activities		
Operating activities		
Excess of revenues over expenses	**157,550**	50,017
Amortization	**32,868**	34,869
Unrealized (gain) loss on investments - restricted	**(20,335)**	1,427
	170,083	86,313
Changes in working capital accounts		
Accounts receivable	**4,711**	11,935
Prepaid expenses	**(14,559)**	813
Accounts payable and accrued expenses	**11,004**	24,127
Deferred contributions	**160,426**	(147,020)
Deferred contributions - restricted	**85,008**	58,880
	246,590	(51,265)
Investing activities		
Purchase of investments - restricted	**(64,673)**	(60,307)
Increase (decrease) in cash resources	**352,000**	(25,259)
Cash and equivalents, beginning of year	**967,788**	993,047
Cash and equivalents, end of year	**1,319,788**	967,788

The accompanying notes are an integral part of these financial statements

MNP LLP

1. **Incorporation and nature of the organization**

Boys and Girls Clubs of Winnipeg Inc. (the "Agency") was incorporated under the laws of Manitoba on January 27, 1977.

The Agency operates activity centres and employment programs for children and youth within Winnipeg, Manitoba. Effective July 7, 2005 the Agency changed its name from Winnipeg Boys and Girls Clubs Inc. to Boys and Girls Clubs of Winnipeg Inc.

The Agency is a not-for-profit organization and a Canadian registered charity 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 Agency must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

2. **Impact of adopting accounting standards for not-for-profit organizations**

These are the Agency's first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The accounting policies in Note 3. have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information for the year ended December 31, 2011, and the opening ASNPO balance sheet as at January 1, 2011 (the Agency's date of transition to ASNPO).

The transition to ASNPO did not have an impact on the Agency's statement of financial position, statement of operations and changes in net assets or cash flow statement that were previously reported under Canadian generally accepted accounting principles (GAAP).

3. **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:

Fund accounting

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Agency, the accounts are maintained on a fund accounting basis. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the contributors or in accordance with the directives issued by the Board of Directors.

Three funds are maintained - Operating Fund, Capital Fund and Replacement Reserve Fund.

The Operating Fund is used to account for all revenue and expenditures related to general and ancillary operations of the Agency.

The Capital Fund is used to account for all capital assets of the Agency and to present the flow of funds related to their acquisition and disposal, unexpended capital resources and debt commitments.

The Replacement Reserve Fund has been established to provide funds to replace the Agency's capital assets and to provide funds to relocate the Agency to a new building. This reserve is internally restricted and contributions are subject to review by the Board of Directors on a periodic basis. Interest earned on funds is reported as income of the operating fund.

Cash and cash equivalents

Cash and cash equivalents include balances with banks, term deposits and a corporate bond fund that are available for prompt liquidation.

3. Significant accounting policies *(Continued from previous page)*

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. Fair value is determined based on market rates and the date of contribution for similar goods and services.

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

	Rate
Automotive	5 years

Revenue recognition

The Agency uses the deferral method of accounting for contributions and reports on a fund accounting basis. Restricted contributions which primarily include grants from other funding agencies are recognized as revenue in the year in which the related expenses are incurred and all relevant terms of the funding agreement are met. Deferred contributions reported relate to funding received in the current period that is in respect of program expenses to be incurred in future periods.

Donation revenue is recognized when received.

Contributed materials

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

Measurement uncertainty (use of estimates)

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. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. 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 and expenses in the periods in which they become known.

Long-lived assets

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Agency performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in earnings for the year.

Financial instruments

The Agency recognizes its financial instruments when the Agency becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

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

3. Significant accounting policies *(Continued from previous page)*

The Agency subsequently measures investments in equity instruments quoted in an active market at fair value. Fair value is determined by published prices. Investments in equity instruments not quoted in an active market are subsequently measured at cost less impairment. With the exception of those instruments designated at fair value, 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 those financial instruments subsequently measured at amortized cost or cost.

4. Cash and equivalents

	2012	*2011*
Cash	**1,271,200**	17,075
Term deposits	**-**	903,150
Corporate bond fund	**48,588**	47,563
	1,319,788	967,788

The corporate bond fund matures in 2014 with an interest rate of 5% at the end of December 31, 2012 (December 31, 2011 - 5%, January 1, 2011 - 5%).

As at January 1, 2011 cash and equivalents consisted of cash $132,727, term deposits of $814,223 and the corporate bond fund for $46,097, totalling $993,047.

5. Accounts receivable

	2012	*2011*
Trade receivables	**54,160**	60,077
Goods and Services Tax recoverable	**7,130**	5,924
	61,290	66,001

As at January 1, 2011 total trade receivables was $71,942 and GST recoverable was $5,994, totalling $77,936.

6. Capital assets

	Cost	***Accumulated amortization***	***2012 Net book value***
Automotive	**233,587**	**197,983**	**35,604**

	Cost	*Accumulated amortization*	*2011 Net book value*
Automotive	233,587	165,115	68,472

As at January 1, 2011 the cost of vehicles was $174,389 with accumulated amortization of $71,048 resulting in a net book value of $103,341.

7. Investments - restricted

The Agency has received funds which are restricted for the purpose of covering future operating cost deficits relating to summer learning program operations. These funds are managed by the Winnipeg Foundation on behalf of the Agency. As a condition of funding, the Agency can request a maximum disbursement from this investment of $60,000 in any calendar year, if an operating deficit is projected. Management does not expect to draw on these funds in the next 12 months. The net increase in investments - restricted due to changes in the fair value is $20,335 (December 31, 2011 - $1,427, January 1, 2011 - $14,192) and is reflected in deferred contributions - restricted.

8. Scholarship trust assets

Included in scholarship trust assets are guaranteed investment certificates ranging in interest from 4.10% to 4.3% (December 31, 2011 - 4.10% to 4.3%, January 1, 2011 - 3.95% to 4.3%). $1,000 of the investments matures annually from November 2012 to November 2015. The trust was established in 2005 through a donation from a board member and their family, to provide annual scholarships of $1,000 to designated recipients for post-secondary studies until such time as the assets have been distributed.

9. Accounts payable and accrued expenses

	2012	*2011*
Trade accounts payable	**137,540**	127,916
Government remittances	**5,628**	4,248
	143,168	132,164

As at January 1, 2011 trade account payable was $104,408 and government remittances was $3,630, totalling $108,038.

10. Deferred contributions

Deferred contributions consist of revenues received for which the related expenses have not yet been incurred. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made. Changes in the deferred contribution balance are as follows:

	2012	*2011*
Balance, beginning of year	**538,202**	685,222
Amount received during the year	**597,556**	451,961
Less: Amount recognized as revenue during the year	**(437,130)**	(598,981)
Balance, end of year	**698,628**	538,202

11. Deferred contributions - restricted

	2012	*2011*
Balance, beginning of the year	**253,072**	194,192
Received during the year	**64,673**	60,307
Unrealized gains (losses)	**20,335**	(1,427)
Balance, end of year	**338,080**	253,072

As at January 1, 2011, the beginning balance was $180,000 with an increase in unrealized gains of $14,192 for an ending deferred contributions - restricted amount of $194,192.

12. Inter-fund Transfers

Transfers in the amount of $20,000 (December 31, 2011 - $20,000, January 1, 2011 - $20,000) from the operating fund to the replacement reserve fund for the year for the purpose of future capital asset purchases have been made. No transfers were made from the replacement reserve to the capital fund for the purpose of acquiring assets in the current year. (December 31, 2011 - $nil, January 1, 2011 - $nil).

13. Charitable donations

Charitable donation receipts for income tax purposes have been issued by the Agency in the amount of $265,299 (December 31, 2011 - $196,312, January 1, 2011 - $127,125).

14. Commitments

The Agency has entered into a lease agreement for leased premises with estimated minimum annual payments over the next five years as follows:

2013	40,700
2014	42,350
2015	44,000
2016	46,750
2017	46,750

15. Economic dependence

As is common with many charitable organizations, the Agency's primary source of revenues are contributions from various levels of government and other supporting organizations such as the United Way. The Agency's ability to continue as a going concern depends on maintaining these contributions.

16. Financial instruments

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

Credit concentration

Financial instruments that potentially subject the Agency to concentrations of credit risk consist primarily of accounts receivable. The Province of Manitoba accounts for 56% (December 31, 2011 - 63%, January 1, 2011 - 52%) of the total accounts receivable balance as at December 31, 2012. The Agency believes that there is minimal risk associated with the collection of these amounts, as they have historically collected all amounts from this contributor.

17. Capital Management

The Agency's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide services to the community.

The Agency sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Agency may sell assets or decrease expenses.

The Agency monitors capital on an annual basis. During the year, the Agency's strategy, which was unchanged from the prior year, was to protect capital by maintaining a small excess of revenue over expenses.

18. Endowments

The Agency derives revenue from certain endowments under the control of and administered by The Winnipeg Foundation at the bequest of the endowment contributors. The amount of revenue received by the Agency is based on the conditions set forth by the related endowment funds and varies annually.

Endowments in the name of the Agency held by The Winnipeg Foundation was $54,755 (December 31, 2011 - $35,900, January 1, 2011 - $23,000).

19. Comparative figures

Certain comparative figures have been reclassified to conform with the current year presentation.

Boys and Girls Clubs of Winnipeg Inc.
Schedule 1 - Special Projects
For the period ended December 31, 2012

	2012	2011
Revenues		
Province of Manitoba	1,524,404	1,666,101
United Way	218,614	217,035
City of Winnipeg	63,000	63,000
The Winnipeg Foundation	10,357	38,821
Government of Canada	12,217	38,841
Ma Mawi Wi Chi Itata Centre	11,541	14,505
Boys and Girls Clubs of Canada	83,714	4,574
Other Supporters	729,588	529,276
Total revenues from Special Projects	**2,653,435**	2,572,153
Expenses		
Facilities	18,926	18,647
General	207,511	152,302
Programming and supplies	975,624	1,132,694
Salaries and benefits	1,402,772	1,228,052
Transportation	35,424	27,986
Total expenses from Special Projects	**2,640,257**	2,559,681
Excess of revenues over expenses	**13,178**	12,472