

FINANCIAL STATEMENTS OF

**BOYS & GIRLS CLUBS OF
KAWARTHA LAKES
(Operating as BGC Kawarthas)**

March 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Boys & Girls Clubs of Kawartha Lakes

Opinion

We have audited the financial statements of Boys & Girls Clubs of Kawartha Lakes (operating as BGC Kawarthas), which comprise the statement of financial position as at March 31, 2023, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Boys & Girls Clubs of Kawartha Lakes as at March 31, 2023, 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 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 Boys & Girls Clubs of Kawartha Lakes 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 opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Boys & Girls Clubs of Kawartha Lakes' 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 Boys & Girls Clubs of Kawartha Lakes or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Boys & Girls Clubs of Kawartha Lakes' financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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INDEPENDENT AUDITOR'S REPORT, continued

- ◆ 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 Boys & Girls Clubs of Kawartha Lakes' 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 Boys & Girls Clubs of Kawartha Lakes' 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 Boys & Girls Clubs of Kawartha Lakes 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.

Baker Tilly KDN LLP

Chartered Professional Accountants
Licensed Public Accountants

Lindsay, Ontario
June 15, 2023

BOYS & GIRLS CLUBS OF KAWARTHA LAKES

(Operating as BGC Kawarthas)

STATEMENT OF FINANCIAL POSITION

As at March 31, 2023

	2023	2022
	\$	\$
ASSETS		
Current assets		
Cash (note 4)	1,482,873	714,320
Accounts receivable (note 5)	350,775	191,747
Prepaid expenses	51,735	42,567
	<u>1,885,383</u>	<u>948,634</u>
Other assets		
Amount receivable from Boys & Girls Clubs of Kawartha Lakes Foundation (note 6)	8,436	14,415
Tangible capital assets (note 7)	6,265,703	5,402,924
	<u>6,274,139</u>	<u>5,417,339</u>
	<u>8,159,522</u>	<u>6,365,973</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
Current liabilities		
Accounts payable and accrued liabilities	420,777	282,076
Customer deposits	247,339	198,215
Current portion of long-term debt (note 8)	113,436	110,233
	<u>781,552</u>	<u>590,524</u>
Long-term debt (note 8)	148,061	236,566
Deferred contributions - operating fund (note 9)	1,001,135	449,571
Deferred contributions - tangible capital assets (note 10)	5,388,077	4,403,566
	<u>7,318,825</u>	<u>5,680,227</u>
Net assets (deficit)		
Investment in tangible capital assets	616,129	652,559
Internally restricted (note 11)	35,000	35,000
Unrestricted (deficit)	189,568	(1,813)
	<u>840,697</u>	<u>685,746</u>
	<u>8,159,522</u>	<u>6,365,973</u>

The accompanying notes are an integral part of these financial statements

BOYS & GIRLS CLUBS OF KAWARTHA LAKES

(Operating as BGC Kawarthas)

STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31, 2023

	Investment in tangible capital assets \$	Internally restricted (note 11) \$	Unrestricted \$	Total 2023 \$	Total 2022 \$
Balance - beginning of year	652,559	35,000	(1,813)	685,746	818,927
Excess (deficiency) of revenues over expenses for the year	(163,686)	-	318,637	154,951	(133,181)
Purchase of tangible capital assets	1,397,248	-	(1,397,248)	-	-
Capital grants and donations received	(1,355,294)	-	1,355,294	-	-
Repayment of long term debt	85,302	-	(85,302)	-	-
Balance - end of year	616,129	35,000	189,568	840,697	685,746

The accompanying notes are an integral part of these financial statements

BOYS & GIRLS CLUBS OF KAWARTHA LAKES

(Operating as BGC Kawarthas)

STATEMENT OF OPERATIONS

For the year ended March 31, 2023

	2023	2022
	\$	\$
Revenues		
Grants (note 12)	2,226,476	1,779,192
Program fees	1,646,608	1,134,562
Mental health supports program (note 15)	208,426	208,424
Space rental	161,327	152,555
Infant development program (note 15)	141,856	141,856
Solar power generation	84,587	81,946
Community outreach program (note 15)	59,697	59,697
Youth Justice program (note 15)	41,000	36,000
Donations	23,603	16,097
Interest earned	20,587	-
Minor Capital program (note 15)	2,883	-
	<u>4,617,050</u>	<u>3,610,329</u>
Expenses		
Salaries and benefits	3,394,314	2,869,472
Program supplies	294,751	222,867
Program costs	203,806	134,980
Utilities	127,284	116,335
Repairs and maintenance	125,133	149,464
Insurance	103,703	84,189
Club funded family subsidies	57,712	16,314
Vehicle operations	50,669	21,611
Professional fees	32,422	22,931
Interest and bank charges	31,474	21,967
Training	31,064	17,747
Travel	16,734	8,743
Telephone	16,725	21,164
Municipal taxes	15,877	8,420
Advertising and promotion	15,746	22,036
Interest on long term debt	11,401	15,651
Volunteer and staff recognition	8,678	8,013
	<u>4,537,493</u>	<u>3,761,904</u>
Excess(deficiency) of revenues over expenses before undernoted items	<u>79,557</u>	<u>(151,575)</u>
Contributions from B&G Clubs of KL Foundation		
- operating purposes (note 6)	238,047	212,900
Contributions to B & G Clubs of KL Foundation (note 6)	-	(7,030)
	<u>238,047</u>	<u>205,870</u>
Excess of revenues over expenses before amortization	317,604	54,295
Amortization of deferred tangible capital contributions (note 10)	370,782	288,596
Amortization of tangible capital assets	<u>(533,435)</u>	<u>(476,072)</u>
Excess (deficiency) of revenues over expenses for the year	<u>154,951</u>	<u>(133,181)</u>

The accompanying notes are an integral part of these financial statements

BOYS & GIRLS CLUBS OF KAWARTHA LAKES

(Operating as BGC Kawarthas)

STATEMENT OF CASH FLOWS

For the year ended March 31, 2023

	2023	2022
	\$	\$
CASH PROVIDED FROM (USED FOR)		
Operating activities		
Excess (deficiency) of revenues over expenses for the year	154,951	(133,181)
Items not affecting cash		
Amortization of deferred capital contributions	(370,782)	(288,596)
Amortization of tangible capital assets	534,468	476,072
Gain on disposal of tangible capital asset	(1,032)	-
	317,605	54,295
Change in non-cash working capital items		
Increase in accounts receivable	(159,028)	(50,002)
Increase in prepaid expenses	(9,168)	(6,860)
Increase in accounts payable and accrued liabilities	138,701	12,368
Increase in customer deposits	49,124	129,162
Increase in deferred contributions - operating	551,564	145,171
	888,798	284,134
Investing activities		
Repayment of amount receivable from Boys & Girls Clubs of Kawartha Lakes Foundation	5,979	-
Advances to Boys & Girls Clubs of Kawartha Lakes Foundation	-	(6,728)
Purchase of tangible capital assets	(1,398,216)	(141,098)
Proceeds on disposal of tangible capital assets	2,000	-
	(1,390,237)	(147,826)
Financing activities		
Repayment of long-term debt	(85,302)	(82,855)
Capital grants and donations	1,355,294	95,495
	1,269,992	12,640
Increase in cash	768,553	148,948
Cash - beginning of year	714,320	565,372
Cash - end of year	1,482,873	714,320

The accompanying notes are an integral part of these financial statements

BOYS & GIRLS CLUBS OF KAWARTHA LAKES

(Operating as BGC Kawarthas)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2023

1. NATURE OF ACCOUNTING ENTITY

Boys & Girls Clubs of Kawartha Lakes is a not-for-profit registered charity incorporated without share capital under the laws of Ontario and therefore is not subject to income taxes.

2. PURPOSE OF THE ORGANIZATION

The purpose of the Boys & Girls Clubs of Kawartha Lakes is to provide a safe, supportive place where children and youth can experience new opportunities, overcome barriers, build positive relationships and develop confidence and skills for life.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are detailed as follows:

(a) *Tangible capital assets*

Purchased tangible capital assets are stated at acquisition cost. Contributed tangible capital assets are stated at fair market value at the date of contribution. The cost of tangible capital assets are amortized over the assets estimated useful life, using rates as follows:

Buildings	40 years straight-line
Equipment	3 years straight-line
Automotive	30% declining balance
Paving	8 years straight-line
Land improvements	20 years straight-line
Furniture & fixtures	10 years straight-line
Signs	5 years straight-line
Solar power generating equipment	10 years straight-line

(b) *Revenue recognition*

The Club follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions of tangible capital assets are included as deferred contributions and are amortized to revenue at the same rate and on the same basis as amortization of the related capital asset.

Program fees, rental income, solar power generation and all other revenues are recognized into income once the service has been performed and collection is reasonably assured.

BOYS & GIRLS CLUBS OF KAWARTHA LAKES

(Operating as BGC Kawarthas)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2023

3. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) *Financial instruments*

(i) *Measurement of financial instruments*

The Club initially measures its financial assets and financial liabilities at 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 attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

The Club subsequently measures its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in statement of operations.

Financial assets measured at amortized cost includes cash, accounts receivable and amount receivable from Boys & Girls Clubs of Kawartha Lakes Foundation.

Financial liabilities measured at amortized cost includes accounts payable and accrued liabilities and long-term debt.

The Club has not designated any financial instruments to be measured at fair value.

(ii) *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 statement of operations.

(d) *Contributed materials and services*

Volunteers contributed time to assist the Club in carrying out its programs. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

In-kind donations with a determinable fair market value are recorded at fair market value in the year the goods are received.

BOYS & GIRLS CLUBS OF KAWARTHA LAKES

(Operating as BGC Kawarthas)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2023

3. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) *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 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.

Key areas where management has made complex or subjective judgments (often as a result of matters that are inherently uncertain) include, among others, the useful lives of tangible capital assets; impairment of assets; amortization; revenues; and allowance for doubtful accounts. Actual results could differ from these and other estimates, the impact of which would be recorded in future periods.

4. CREDIT FACILITIES

An overdraft limit has been authorized to a maximum of \$200,000 (2022 - \$200,000) and bears interest at the bank's prime lending rate plus 1.25% (2022 - Prime + 1.25%) per annum and is secured by a general security agreement over all personal property, second charge on land and buildings with a net book value of \$3,426,590 (2022 - \$3,238,952), assignment of fire insurance, assignment of rents and assignment of Ontario Power Authority solar contract. As at March 31, 2023, there was NIL (2022 - NIL) drawn on the facility.

5. ACCOUNTS RECEIVABLE

	2023	2022
	\$	\$
Program fees receivable	143,434	76,353
Grants receivable	146,409	99,547
HST rebate receivable	59,787	14,702
Payroll advances receivable	1,145	1,145
	<u>350,775</u>	<u>191,747</u>

BOYS & GIRLS CLUBS OF KAWARTHA LAKES

(Operating as BGC Kawarthas)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2023

6. AMOUNTS DUE TO/FROM RELATED PARTY AND RELATED PARTY TRANSACTIONS

The Boys & Girls Clubs of Kawartha Lakes Foundation was established to receive and maintain funds for charitable purposes and in particular for the Boys & Girls Clubs of Kawartha Lakes.

Transactions

a) During the year the Foundation contributed \$238,047 to the operating activities of the Club (2022 - \$212,900), and \$64,668 for capital purchases (2022 - Nil). The Club contributed back to the Foundation from operating Nil (2022 - \$7,030) to subsidize wages with the Canada Emergency Wage Subsidy received.

b) In 2019, the Foundation advanced the Club a total of \$25,000 to fund required City of Kawartha Lakes security deposit in the form of a note payable, repayable when the Club is returned the security deposit by the City. The balance owing is included in long-term debt. No payments were made on the debt during 2022.

Due From Related Party

a) At March 31, 2023 the Foundation had sufficient cash and liquid assets available to repay the entire \$8,436 (2022 - \$14,415) owing to the Club. The advance is non-interest bearing with no fixed terms of repayment.

b) The Foundation has net assets at March 31, 2023 totaling \$567,179 (2022 - \$648,710) consisting of \$445,071 (2022 - \$445,071) in its Internally Restricted Fund and the balance of \$122,108 (2022 - \$203,639) in unrestricted net assets.

7. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated	2023	2022
	\$	amortization	Net book	Net book
		\$	value	value
			\$	\$
Land	308,500	-	308,500	308,500
Buildings	5,396,326	2,216,054	3,180,272	2,994,981
Equipment	1,249,147	1,216,930	32,217	49,199
Automotive	367,990	317,488	50,502	46,317
Paving	122,279	115,628	6,651	15,197
Land improvements	3,368,898	845,760	2,523,138	1,788,285
Furniture & fixtures	243,035	147,587	95,448	76,998
Signs	6,481	4,436	2,045	-
Solar power generating equipment	623,021	556,091	66,930	123,447
	11,685,677	5,419,974	6,265,703	5,402,924

Pursuant to an agreement with Minister of Children and Youth Services dated August 8, 2016, the Ministry holds a 44% proportional ownership of the Organization's land and building located at 107 Lindsay Street South, Lindsay.

BOYS & GIRLS CLUBS OF KAWARTHA LAKES

(Operating as BGC Kawarthas)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2023

8. LONG-TERM DEBT

Long-term debt consists of the following:

	2023	2022
	\$	\$
TD vehicle loan, prime + 1.25%, repayable in monthly installments of \$1,510, due August 2024, secured by vehicle with net book value of \$20,064	25,662	43,776
TD solar loan payable, 3.75, repayable in monthly blended installments of \$2,025 due February 2025. Secured as per note 4.	210,835	278,023
Boys & Girls Clubs of Kawartha Lakes Foundation Loan payable on demand without interest or payment terms	25,000	25,000
	261,497	346,799
Less principal payments due within one year	113,436	110,233
Due beyond one year	148,061	236,566
Estimated future principal re-payments over the next five years are as follows:		
		\$
2024		112,794
2025		148,703
		261,497

9. DEFERRED CONTRIBUTIONS - OPERATING FUNDING

Deferred contributions for operating funding represent unspent resources externally restricted for funding of specific costs received in the current period that is related to the subsequent period. Changes in the deferred contributions balances are as follows:

	2023	2022
	\$	\$
Balance - beginning of year	449,571	304,400
Amount recognized as revenue in the year	(449,571)	(304,400)
Amount received and unspent	1,001,135	449,571
Balance - end of year	1,001,135	449,571

BOYS & GIRLS CLUBS OF KAWARTHA LAKES

(Operating as BGC Kawarthas)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2023

9. DEFERRED CONTRIBUTIONS - OPERATING FUNDING, continued

	2023	2022
	\$	\$
Ministry of Education- General Operating (administered by COKL)	384,909	64,175
Ministry of Education- CWELCC Funding (administered by COKL)	364,141	-
CRA Enabling Accessibility	100,000	-
Ministry of Education- Wage Enhancement (administered by COKL)	54,411	27,407
Ontario Trillium Foundation - Community Building Fund	20,098	20,742
COKL Family Health Team	15,500	-
MTCS A/S Strategies	15,000	-
Ministry of Education- Minimum wage Offset & Annual Increases (administered by COKL)	12,738	-
CHIMO Operational Costs	10,000	10,000
Community Living Trent Highlands Enhanced Staff	9,067	27,863
Community Foundation of Peterborough	6,667	10,000
Child Service Council - Enhanced Staff	4,118	4,118
TD Bank Group - Music Program	2,499	2,500
Second Harvest - Food Rescue Emergency Fund	1,529	30,000
Boys & Girls Clubs of Canada - Foundation Grants	458	-
COKL - Lindsay CHEST	-	122,502
MCYS Capital Funding - Facility Renewal	-	34,293
Boys & Girls Clubs of Canada - Skilled for Success	-	30,750
COKL - No Child Goes Hungry	-	17,500
Boys & Girls Clubs of Canada - Mental Health Microgrants	-	16,000
Boys & Girls Clubs of Canada - PC Basic Needs/Brighter Future	-	10,000
Boys & Girls Clubs of Canada - YEI Virtual Programming	-	8,280
Boys & Girls Clubs of Canada - Ontario Dairy Farmers	-	4,000
AAFC - Local Food Infrastructure Fund	-	3,316
Peterborough Early Years - School Nutrition Program	-	3,089
Boys & Girls Clubs of Canada -Keystone Jays Care Foundation	-	2,000
Go Easy	-	1,036
	1,001,135	449,571

BOYS & GIRLS CLUBS OF KAWARTHA LAKES

(Operating as BGC Kawarthas)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2023

10. DEFERRED CONTRIBUTIONS - TANGIBLE CAPITAL ASSETS

Deferred contributions related to tangible capital assets represent contributed tangible capital assets and restricted contributions with which tangible capital assets were originally purchased. The changes in the deferred contributions balance for the year are as follows:

	2023	2022
	\$	\$
Balance - beginning of year	4,403,566	4,596,666
Grants and donations received during the year	1,355,294	95,495
Disposal of capital property	-	-
Amounts amortized to revenue	(370,782)	(288,595)
Balance - end of year	5,388,078	4,403,566

11. RESTRICTIONS ON NET ASSETS

The Board of Directors has internally restricted \$ 35,000 of unrestricted net assets to be used for working funds. These internally restricted resources are not available for other purposes without approval of the Board of Directors.

12. GRANTS

Grants for the year are as follows:

	2023	2022
	\$	\$
Municipal grants - childcare operating and wage enhancement	1,277,046	833,517
Foundation grants	451,427	202,922
Provincial grants	255,724	326,041
Federal grants	115,642	45,526
Municipal grants - childcare enhance staff	91,637	63,826
Municipal grants - No Child Goes Hungry	35,000	35,078
Canada Emergency Wage Subsidy	-	272,282
	2,226,476	1,779,192

BOYS & GIRLS CLUBS OF KAWARTHA LAKES

(Operating as BGC Kawarthas)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2023

13. WAGE ENHANCEMENT

The Club received \$105,701 in wage enhancement from the Ministry of Education (administered by City of Kawartha Lakes) for the period of January 1, 2022 to December 31, 2022 (2021 - \$84,186). The entirety of this subsidy was spent on wage enhancement for day care employees.

14. FEE SUBSIDY

The Club received \$31,175 in subsidized day care fees from the City of Peterborough for the period of January 1, 2022 to December 31, 2022 (2021 - \$22,246). The entirety of this subsidy was spent on subsidizing fees for day care.

15. CONTRACTS WITH THE MINISTRY OF CHILDREN, COMMUNITY AND SOCIAL SERVICES, AND THE MINISTRY OF HEALTH AND LONG-TERM CARE

The Club has a number of contracts with the Ministry of Children, Community and Social Services and Ministry of Health And Long Term Care as follows:

MINISTRY OF CHILDREN, COMMUNITY AND SOCIAL SERVICES

	2023	2022
	\$	\$
Community Outreach	59,697	59,697
Infant Development	141,856	141,856
Youth Justice	41,000	36,000
Minor Capital	49,093	33,807
	291,646	271,360

MINISTRY OF HEALTH AND LONG-TERM CARE

	2023	2022
	\$	\$
Mental Health Supports	208,426	208,424
Minor Capital	222,495	-
	430,921	208,424

BOYS & GIRLS CLUBS OF KAWARTHA LAKES

(Operating as BGC Kawarthas)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2023

16. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) *Liquidity risk*

The Club does have a liquidity risk in the accounts payable and accrued liabilities and long term debt. Liquidity risk is the risk that the organization cannot repay its obligations when they become due to its creditors. The Club reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate line of credit to repay trade creditors and repays long term debt interest and principal as they become due. In the opinion of management the liquidity risk exposure to the organization is low .

(b) *Credit risk*

The Club does have credit risk in cash, accounts receivable and amount receivable from the Boys & Girls Clubs of Kawartha Lakes Foundation. Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss.

The Club reduces its exposure to credit risk by maintaining cash accounts at chartered banks and creating an allowance for bad debts when applicable. The Club maintains strict credit policies and limits in respect to counterparties. In the opinion of management the credit risk exposure to the Club is low and is not material.

(c) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Club is exposed to interest rate risk on its fixed and floating interest rate long term debt. Fixed-rate financial instruments subject the Club to a fair value risk, while the floating-rate financial instruments subject the Club to a cash flow risk.