TORONTO KIWANIS BOYS AND GIRLS CLUBS

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TORONTO KIWANIS BOYS AND GIRLS CLUBS

Report on the Financial Statements

We have audited the accompanying financial statements of Toronto Kiwanis Boys and Girls Clubs, which comprise the balance sheet as at December 31, 2010, and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended, 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.

Auditor's 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 auditor's 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 similar organizations, Toronto Kiwanis Boys and Girls Clubs derives revenues from fund-raising events and donations, 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 Toronto Kiwanis Boys and Girls Clubs and we are not able to determine whether any adjustments might be necessary to revenues, deficiency of revenues over expenses, assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, if any, these financial statements present fairly, in all material respects, the financial position of Toronto Kiwanis Boys and Girls Clubs as at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

In accordance with Corporations Act (Ontario), we report that the Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

Clarke Henning LLP

CHARTERED ACCOUNTANTS
Licensed Public Accountants

Toronto, Ontario
May 24, 2011

TORONTO KIWANIS BOYS AND GIRLS CLUBS

BALANCE SHEET

AS AT DECEMBER 31, 2010

	2010	2009
ASSETS		
Current assets		
Cash	**$ 398,509**	$ 476,328
Investments *(note 4)*	**314,709**	296,531
Grants receivable	**18,563**	18,310
Other receivables	**183,849**	62,994
Prepaid expenses	**24,419**	18,885
	940,049	873,048
Property and equipment *(note 5)*	**1,423,782**	-
	2,363,831	873,048
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**606,730**	92,749
Deferred revenues *(note 6)*	**77,926**	43,746
	684,656	136,495
Deferred contributions *(note 7)*	**90,000**	105,000
Deferred capital contributions *(note 8)*	**1,052,206**	92,758
	1,826,862	334,253
NET ASSETS		
Invested in property and equipment	**371,576**	-
Internally restricted contingency fund	**337,500**	337,500
Unrestricted net assets	**(172,107)**	201,295
	536,969	538,795
	$ 2,363,831	$ 873,048

Approved on behalf of the Board:

________________, Director   ________________, Director

TORONTO KIWANIS BOYS AND GIRLS CLUBS

STATEMENT OF REVENUES AND EXPENSES

YEAR ENDED DECEMBER 31, 2010

		2010		2009
Revenues				
Funding from The Kiwanis Club of Toronto sources *(note 2)*				
The Toronto Kiwanis T.P. Loblaw Charitable Trust	$	**327,600**	$	327,600
The Kiwanis Club of Toronto Foundation		**14,100**		25,434
		341,700		353,034
Government and other grants *(note 9)*		**690,754**		470,577
United Way of Greater Toronto grant		**283,792**		283,792
Donations and fundraising		**201,592**		281,110
User fees		**113,638**		128,382
Other		**58,347**		33,438
Investment income *(note 12)*		**20,090**		34,458
		1,709,913		1,584,791
Expenses				
Salaries and benefits		**998,083**		787,810
Occupancy *(note 13)*		**142,235**		153,155
Fundraising		**38,899**		76,188
Program		**441,254**		415,624
Depreciation		**-**		8,764
General and administrative		**91,268**		86,472
		1,711,739		1,528,013
Excess (deficiency) of revenues over expenses for the year	$	**(1,826)**	$	56,778

TORONTO KIWANIS BOYS AND GIRLS CLUBS

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2010

	Invested in Property and Equipment	*Internally Restricted Contingency Fund*	*Unrestricted*	*Total 2010*	*Total 2009*
Balance - at beginning of year	$ -	$ 337,500	$ 201,295	$ 538,795	$ 482,017
Excess (deficiency) of revenues over expenses for the year	-	-	(1,826)	(1,826)	56,778
Inter-fund transfers representing					
Purchase of property and equipment	1,423,782	-	(1,423,782)	-	-
Capital contributions received	(959,448)	-	959,448	-	-
Transfer from unrestricted funds	(92,758)	-	92,758	-	-
Balance - at end of year	$ 371,576	$ 337,500	$ (172,107)	$ 536,969	$ 538,795

TORONTO KIWANIS BOYS AND GIRLS CLUBS

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2010

		2010		2009
Cash flows from operating activities				
Cash receipts from The Kiwanis Club of Toronto sources	$	**341,700**	$	338,434
Cash receipts from government and other grants		**921,049**		744,233
Cash receipts from fundraising and donations		**201,592**		274,738
Cash receipts from other revenues		**124,238**		155,666
Interest and distributions from mutual fund received		**10,161**		7,884
Cash paid to employees and suppliers		**(1,203,291)**		(1,484,226)
		395,449		36,729
Cash flows from financing activities				
Redevelopment project capital contributions received		**942,448**		92,758
Other capital contributions received		**17,000**		-
		959,448		92,758
Cash flows from investing activities				
Purchase of investments		**(8,934)**		(233,860)
Proceeds from sale of investments		**-**		148,981
Cash paid towards Redevelopment capital project		**(1,406,782)**		-
Cash paid for equipment from other capital contribution received		**(17,000)**		-
		(1,432,716)		(84,879)
Change in cash during the year		**(77,819)**		44,608
Cash - at beginning of year		**476,328**		431,720
Cash - at end of year	$	**398,509**	$	476,328

1. PURPOSE AND ORGANIZATION

Toronto Kiwanis Boys and Girls Clubs (the "Clubs") is a voluntary organization providing a wide range of programs and services for children and youth aged 6 to 18 years, through professional staff, part time program staff and volunteers. The Clubs provide a safe and positive environment where children and youth can learn, grow and develop the skills they will need as contributing members of society.

Toronto Kiwanis Boys and Girls Clubs is a registered charitable organization incorporated without share capital under the laws of the Province of Ontario and, as such, is exempt from income tax.

2. ECONOMIC DEPENDENCE

The Toronto Kiwanis T.P. Loblaw Charitable Trust ("The Loblaw Trust") was created by The Kiwanis Club of Toronto to receive and administer funds it receives in perpetuity from a trust created by Theodore Pringle Loblaw, a former member of The Kiwanis Club of Toronto. Such funds are to be used for the benefit of underprivileged boys and girls and for other charitable purposes.

The Kiwanis Club of Toronto Foundation ("KCT Foundation") was created by The Kiwanis Club of Toronto to support Kiwanis Club of Toronto sponsored activities, particularly the Toronto Kiwanis Boys and Girls Clubs and other worthy projects.

The Clubs receive a significant part of its funding from these sources and is economically dependent on this continued support. Such funding amounted to $341,700 in 2010 ($353,034 in 2009). Beginning 2011, the Kiwanis Club of Toronto has indicated that there will be a reduction of $84,000 in the annual funding.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

Investments are classified as held for trading and are recorded at fair value. Unrealized holding gains and losses related to held for trading investments are included in the statement of revenues and expenses. The quoted market price of investments is used to estimate fair value.

Property and Equipment and depreciation

Property and equipment are recorded at cost. Depreciation has not been recorded as the property and equipment is not in use.

Deferred Contributions

Deferred contributions are amortized over a ten year period on the straight line method (see note 7 for additional details).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Capital Contributions

Funds received for the acquisition of property and equipment are deferred in the accounts and amortized to revenue on the same basis as the depreciation on the related property and equipment.

The fundraising campaign costs related to the Spruce Street Redevelopment Project are accounted for (see note 16) as a reduction of the funds raised in the campaign and accordingly has included the costs as a reduction of deferred capital contributions.

Revenue Recognition

The Clubs use the deferral method in accounting for grants. Accordingly, grants subject to externally imposed restrictions are initially recorded 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 a specific purpose are recognized as revenue when received.

Donations are recognized as revenue when received.

Revenues from fundraising events are recognized as revenue in the period in which the event takes place.

User fees and other revenues are recognized as revenue when the service has been performed or revenue has been earned.

Investment income is recognized as revenue as earned. Investment income is comprised of interest, distributions from mutual funds, realized and unrealized gains and losses related to the investments.

Financial Assets and Liabilities

Cash and investments are classified as held for trading and are stated at fair value.

Grants and other receivables are classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost.

Contributed Goods and Services

Contributed goods and services are not recorded in the accounts of the Clubs, except when fair value of such goods and services can reasonably be established and when the goods and services are normally purchased by the Clubs and would be paid for if not donated.

Contributed goods and services consisted of food contributed to the Clubs and are valued to be approximately the same as in the prior year. Contributed goods and services are recorded in the financial statements at their estimated fair value of $13,850 ($25,255 - 2009).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. These financial statements contain no significant estimates.

4. INVESTMENTS

Details of the investments are as follows:

		2010	2009
Money Market Fund		$ **8,933**	$ -
Bonds			
21,000	Province of Ontario, maturing May 3, 2012, yielding 4.044%	**20,495**	20,037
21,000	Province of Quebec, maturing June 1, 2013, yielding 4.291%	**19,868**	19,049
21,000	Province of Ontario, maturing June 2, 2014, yielding 4.248%	**19,271**	18,216
17,077	Province of Quebec, maturing June 1, 2015, yielding 4.454%	**15,006**	14,081
36,000	Province of Ontario, maturing March 8, 2018, yielding 4.2%	**37,886**	36,502
36,000	Province of Quebec, maturing December 1, 2017, yielding 4.5%	**38,598**	37,313
37,000	Province of British Columbia, maturing December 18, 2019, yielding 4.1%	**38,356**	36,433
18,000	Scotiabank Cap Tr (Bats) II maturing December 31, 2049, yielding 6.282%	**19,466**	19,654
18,000	Citigroup Finance Canada, yielding 6.75%, maturing September 22, 2014	**19,643**	19,259
36,000	GE Capital Canada Fndg Co., maturing June 1, 2016, yielding 5.1%	**38,163**	36,921
18,000	Manulife Fin Cap Tr (Macs), maturing December 31, 2051, yielding 6.7%	**18,929**	19,544
19,000	Toronto Dominion Bank, maturing October 30, 2104, yielding 4.97%	**20,095**	19,522
Total investments, at fair value		$ **314,709**	$ 296,531

Market Risk

The Clubs are exposed to market risk. This is the potential loss that the Clubs may incur with respect to the changes in fair value of the investments.

Interest Rate Risk

The Clubs are exposed to interest rate risk from the possibility that changes in interest rates will affect the value of the investments and investment income.

The Clubs manages the above risks via monitoring market conditions and consulting with its financial advisors.

5. PROPERTY AND EQUIPMENT

The details of property and equipment are as follows:

	Cost	Accumulated Depreciation	Net Book Value 2010	Net Book Value 2009
Leasehold improvements costs incurred to date	**$ 1,406,782**	**$ -**	**$ 1,406,782**	$ -
Fitness equipment	**17,000**	**-**	**17,000**	-
	$ 1,423,782	**$ -**	**$ 1,423,782**	$ -

Leasehold improvements and fitness equipment are related to the Spruce Street redevelopment project that began in 2010 (note 16). Construction is not complete as of the date of these financial statements and accordingly no depreciation has been recorded.

6. DEFERRED REVENUES

The details of deferred revenue are as follows:

	Balance at December 31, 2009	Funds Received in 2010	Transferred to Revenue in 2010	Balance at December 31, 2010
Boys and Girls Clubs	$ 4,000	$ 7,000	$ (3,400)	**$ 7,600**
Ministry of Health Promotions	10,467	466,343	(428,099)	**48,711**
Miscellaneous	29,279	21,615	(29,279)	**21,615**
	$ 43,746	$ 494,958	$ (460,778)	**$ 77,926**

7. DEFERRED CONTRIBUTIONS

Deferred contributions consist of funds received in 2006 to be used for the funding of the summer camp program over a ten year period. The changes in the deferred contributions are as follows:

	2010	2009
Balance - at beginning of year	**$ 105,000**	$ 120,000
Amortization of deferred contributions	**15,000**	15,000
Balance - at end of year	**$ 90,000**	$ 105,000

8. *DEFERRED CAPITAL CONTRIBUTIONS*

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of property and equipment and 101 Spruce Street redevelopment project. Amortization has not been recorded as the redevelopment project is not complete. Changes in the deferred capital contributions as follows:

	2010	*2009*
Balance - at beginning of year	**$ 92,758**	$ 6,372
Capital contributions received - fitness equipment	**17,000**	-
Capital contributions received - redevelopment project	**1,093,652**	92,758
Costs associated with the fundraising campaign for the redevelopment project	**(151,204)**	-
Amortization of deferred capital contributions	-	(6,372)
Balance - at end of year	**$ 1,052,206**	$ 92,758

9. *GOVERNMENT GRANTS AND OTHER GRANTS*

The details of government and other grants are as follows:

	2010	*2009*
Human Resources Development Canada, Summer Career Placements	**$ 28,737**	$ 67,235
Toronto District School Board Community Attendance Program	-	19,848
RBC Foundation, After School Grant Program	**25,000**	25,000
City of Toronto		
General and Recreational Grants Program	**44,737**	43,860
Community Services	**42,460**	41,620
Children's Services	**19,504**	19,504
Drug Abuse Prevention Program (DAPP)	-	13,898
Boys and Girls Club of Ontario		
Youth Power Up Grant	**2,400**	3,600
Ministry of Health Promotions, After School Program	**428,098**	109,240
Boys and Girls Club of Canada		
Amortization of deferred contributions	**15,000**	15,000
Other miscellaneous grants	**84,818**	111,772
	$ 690,754	$ 470,577

10. *FINANCIAL INSTRUMENTS*

The Clubs' financial instruments consist of cash, grants and other receivables, investments and accounts payable. It is management's opinion that the Clubs are not exposed to significant currency or credit risks. Interest rate risk is disclosed in note 4.

The carrying amounts of these financial instruments approximate their fair value.

11. CAPITAL MANAGEMENT

The Clubs considers its capital to be its net assets. The Clubs' objective when managing capital is to safeguard its ability to continue as a going concern and ensure that it has sufficient resources to adequately serve the interests of the community. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. The Clubs manages its capital taking into account changes in economic conditions and risk characteristics of the underlying assets and working capital requirements.

12. INVESTMENT INCOME

Details of investment income are as follows:

	2010	*2009*
Interest earned and distribution from mutual funds	**$ 10,981**	$ 8,500
Unrealized gain on investment	**9,245**	25,958
	$ 20,090	$ 34,458

13. RELATED PARTY INFORMATION

The by-laws of the organization call for the Board of Directors to consist of fifteen members, five of whom are nominated by The Kiwanis Club of Toronto. At December 31, 2010, the Board of Directors consisted of fourteen members, five of whom were nominated by The Kiwanis Club of Toronto. The Clubs lease the facilities for the Gerrard Club (101 Spruce Street) from The Kiwanis Club of Toronto. Rent paid was $51,252 ($50,004 in 2009).

14. LEASE COMMITMENTS

Effective January 1, 2010, the Clubs has entered into a lease renewal, which expires on December 31, 2019, for the premises located at 101 Spruce Street. Under the lease agreement for the 101 Spruce Street location, the Clubs have an option to renew the lease for an additional three years and the Clubs have the right of first refusal if the landlord decides to accept an offer to purchase the building. Effective March 1, 2010, the Clubs has entered into a new premises lease on 595-601 Parliament Street which expires on February 28, 2012. Effective October 1, 2010, the Clubs has entered into a new office equipment lease which expires on September 30, 2016.

14. LEASE COMMITMENTS (continued)

The aggregate annual lease payments are as follows:

	Office Equipment	*601 Parliament Street*	*101 Spruce Street*
2011	$ 6,272	$ 22,660	$ 51,252
2012	6,272	5,665	52,536
2013	6,272	-	54,636
2014	6,272	-	56,820
2015	6,272	-	59,088
2016 and thereafter	4,704	-	195,588
	$ 36,064	$ 28,325	$ 469,920

Currently, the Clubs runs the programs in two Catholic schools, two local schools and one local agency and pays a fee based on the usage of their facilities. There is no long term commitment with the schools or agency. The total fees paid to the schools and agency in the current year were nominal.

In addition to basic rent, the Clubs are required to pay the operating costs which amounted to $89,749 in 2010 and $101,783 in 2009.

15. GUARANTEES AND INDEMNITIES

The Clubs have indemnified its past, present and future directors, officers and volunteers against expenses (including legal expenses), judgments and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding, subject to certain restrictions. The Clubs have 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 business, the Clubs have 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 Clubs agree to indemnify the counterparties in certain circumstances against losses or liabilities arising from the acts or omissions of the Clubs. The maximum amount of any potential liability cannot be reasonably estimated.

16. SPRUCE ST. REDEVELOPMENT PROJECT

In January 2010, the Clubs entered into an agreement with the Kiwanis Club of Toronto to proceed with the 101 Spruce Street redevelopment project. The project consists of the renovation and reconstruction of the Clubs' leased premise at 101 Spruce Street. As of the date of these financial statements, construction is in process. The Clubs estimate that the project will be completed by October 2011. The total estimated cost of the project is approximately $5,000,000. The cost of the redevelopment will be funded by the approved financial assistance from the Ontario Minister of Health Promotions and the Federal Minister of Energy and Infrastructure up to $2,000,000 and up to $1,000,000 from the Kiwanis Club of Toronto. The balance of the $2,000,000 funding will be raised through the Club's capital campaign.

17. RECENT CANADIAN ACCOUNTING PRONOUNCEMENTS

The Accounting Standards Board of the Canadian Institute of Chartered Accountants (CICA) has approved the incorporation of the standards set out in Part III of the CICA Handbook (Handbook) as the accounting standards applicable to not-for-profit organizations. First-time adoption of this Part of the Handbook is mandatory for annual financial statements relating to fiscal years beginning on or after January 1, 2012. A not-for-profit organization that prepares its financial statements in accordance with this Part of the Handbook states that they have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. A not-for-profit organization applying this Part of the Handbook also applies the standards for private enterprises in Part II of the Handbook to the extent that the Part II standards address topics not addressed in this Part.

Management is is in the process of assessing the impact that these standards will have on the Clubs' financial statements.

18. SUBSEQUENT EVENT

Subsequent to December 31, 2010, the Clubs entered into an agreement with Miles Nadal on April 4, 2011 to build The Miles & Kelly Nadal Youth Centre as a dedicated after-school facility located on the 4th floor of the 101 Spruce St. facility . Provided that the Club complies with its obligations setout in the agreement, the donor will donate $1,000,000 in instalments towards the Miles & Kelly Nadal Youth Centre, in addition to $500,000 over 10 years in support of the Clubs' programs in instalments over the terms setout in the agreement. (see note 16)

Subsequent to the date of these financial statements, the Clubs have disposed of all its investments. Fair value for these investments were $318,000 as at the time of the disposal.