

Financial Statements of

**GIRL GUIDES OF CANADA-
GUIDES DU CANADA,
NATIONAL OPERATIONS**

Year ended December 31, 2017



KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

INDEPENDENT AUDITORS' REPORT

To the Members of Girl Guides of Canada-
Guides du Canada, National Operations

We have audited the accompanying financial statements of Girl Guides of Canada-Guides du Canada, National Operations, which comprise the balance sheet as at December 31, 2017, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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 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 our 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, we consider 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 audit opinion.



Page 2

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Girl Guides of Canada-Guides du Canada, National Operations as at December 31, 2017, and its results of operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 23, 2018
Vaughan, Canada

GIRL GUIDES OF CANADA-GUIDES DU CANADA, NATIONAL OPERATIONS

Balance Sheet

December 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 8,642,436	\$ 6,656,707
Accounts receivable (note 9)	848,788	383,156
Inventory (note 2)	495,810	390,163
Prepaid expenses	212,114	245,274
	<u>10,199,148</u>	<u>7,675,300</u>
Investments (note 3)	17,192,932	16,829,892
Property and equipment (note 4)	1,631,326	1,894,514
	<u>\$ 29,023,406</u>	<u>\$ 26,399,706</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (notes 5 and 9)	\$ 844,338	\$ 1,041,062
Deferred revenue	4,772,376	4,704,985
	<u>5,616,714</u>	<u>5,746,047</u>
Deferred contributions (note 6)	950,334	869,247
Net assets:		
Unrestricted	17,438,952	14,630,617
Endowment funds (note 7)	1,565,989	1,473,648
Internally restricted (note 8)	1,820,091	1,785,633
Invested in property and equipment	1,631,326	1,894,514
	<u>22,456,358</u>	<u>19,784,412</u>
Commitments and contingencies (note 11)		
	<u>\$ 29,023,406</u>	<u>\$ 26,399,706</u>

See accompanying notes to financial statements.

On behalf of National operations:



Chair of the Board



Chief Executive Officer

GIRL GUIDES OF CANADA-GUIDES DU CANADA, NATIONAL OPERATIONS

Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Membership fees	\$ 5,779,800	\$ 5,687,730
Fund development	3,628,177	3,845,780
Net investment income (note 10)	1,565,757	942,002
Sundry	982,879	383,210
Real property (note 9)	697,680	8,662
Canadian World Friendship Fund	204,110	193,297
Camp	-	2,839,532
	<u>12,858,403</u>	<u>13,900,213</u>
Merchandising (Schedule):		
Sales	4,201,601	4,005,977
Expenses	<u>(3,352,941)</u>	<u>(3,261,802)</u>
	848,660	744,175
	<u>13,707,063</u>	<u>14,644,388</u>
Expenses (note 13):		
Girl empowerment programs	3,263,340	4,132,453
Volunteer support and engagement	1,757,023	1,639,616
Marketing	2,095,780	2,489,020
Fund development	1,240,329	1,365,044
Governance and administration	2,360,444	3,364,894
Canadian World Friendship Fund	204,110	193,297
World Association of Girl Guides and Girl Scouts	114,091	116,235
	<u>11,035,117</u>	<u>13,300,559</u>
Excess of revenue over expenses	<u>\$ 2,671,946</u>	<u>\$ 1,343,829</u>

See accompanying notes to financial statements.

GIRL GUIDES OF CANADA-GUIDES DU CANADA, NATIONAL OPERATIONS

Statement of Changes in Net Assets

Year ended December 31, 2017, with comparative information for 2016

					2017	2016
	Unrestricted	Endowment funds	Internally restricted (note 8)	Invested in property and equipment	Total	Total
Balance, beginning of year	\$ 14,630,617	\$ 1,473,648	\$ 1,785,633	\$ 1,894,514	\$ 19,784,412	\$ 18,423,693
Excess (deficiency) of revenue over expenses	3,113,032	-	-	(441,086)	2,671,946	1,343,829
Interfund transfers:						
Endowment, net investment income	(92,341)	92,341	-	-	-	-
Girl travel and events	(34,458)	-	34,458	-	-	-
Endowment, net contribution	-	-	-	-	-	16,890
Purchase of property and equipment	(177,898)	-	-	177,898	-	-
Balance, end of year	\$ 17,438,952	\$ 1,565,989	\$ 1,820,091	\$ 1,631,326	\$ 22,456,358	\$ 19,784,412

See accompanying notes to financial statements.

GIRL GUIDES OF CANADA-GUIDES DU CANADA, NATIONAL OPERATIONS

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 2,671,946	\$ 1,343,829
Items not involving cash:		
Amortization of property and equipment	441,086	415,151
Unrealized gain on investments (note 10)	(590,848)	(81,992)
Deferred contributions realized	(258,110)	(243,297)
Change in non-cash operating working capital:		
Accounts receivable	(465,632)	218,507
Inventory	(105,647)	40,297
Prepaid expenses	33,160	7,109
Accounts payable and accrued liabilities	(196,724)	178,047
Deferred revenue	67,391	(1,352,632)
	1,596,622	525,019
Financing activities:		
Deferred contributions received	319,787	257,550
Endowment donations received	-	16,890
	319,787	274,440
Investing activities:		
Net change in investments	247,218	(771,695)
Purchase of property and equipment	(177,898)	(396,218)
	69,320	(1,167,913)
Increase (decrease) in cash	1,985,729	(368,454)
Cash, beginning of year	6,656,707	7,025,161
Cash, end of year	\$ 8,642,436	\$ 6,656,707

See accompanying notes to financial statements.

GIRL GUIDES OF CANADA-GUIDES DU CANADA, NATIONAL OPERATIONS

Notes to Financial Statements

Year ended December 31, 2017

The mission of Girl Guides of Canada-Guides du Canada is to be a catalyst for girls empowering girls.

The governing body of Girl Guides of Canada-Guides du Canada is the Board of Directors (the "Board"). The Board delegates defined authority and responsibility to Provincial Councils, which promote and administer guiding within specific provinces and territories. Similarly, in addition to the Provincial Councils, there are Area and District Councils (collectively, the "Councils") that are responsible for guiding within a designated locality. The Councils are administrative groups under a Commissioner's leadership. Each of the Councils bears the name of Girl Guides of Canada-Guides du Canada, along with its own local identifying name. All of the Councils, regardless of level, are focused on the overall mission of Girl Guides of Canada-Guides du Canada.

Girl Guides of Canada-Guides du Canada is a nationally incorporated charitable organization established by a Special Act of Parliament and is exempt from income taxes under the provision related to charitable organizations, provided certain requirements under the Income Tax Act (Canada) are met. In the opinion of management, these requirements have been met.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook.

(a) Basis of presentation:

Girl Guides of Canada-Guides du Canada, National Operations (the "Organization") functions through consultation, collaboration and sharing resources. Through the process of cooperation, the Board exercises significant influence rather than direct control over the operations of the Councils. These financial statements do not reflect the assets, liabilities, revenue or expenses of the Councils, each of which prepares separate financial statements.

The Organization has certain economic relationships with the Councils. The Organization collects national membership and registration fees on behalf of certain Councils. The Organization then remits the registration fees to the Councils. For those Councils collecting national membership and registration fees, the national membership fees are remitted to the Organization.

GIRL GUIDES OF CANADA-GUIDES DU CANADA, NATIONAL OPERATIONS

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(b) Revenue recognition:

The Organization follows the deferral method of accounting for contributions. Government grants, specified donations, externally restricted monies and event fees that relate to programs to be undertaken in future periods are deferred and recognized as revenue as the related expenditures are incurred or related events take place.

Revenue from members is invoiced for the period from November 1 to October 31. Deferred revenue represents the portion of revenue received from these sources that pertains to the next fiscal year.

Fund development includes cookie management recoveries, cookie fundraising, and donations. Cookie management recoveries represent surplus funds generated from the reconciliation of the costs of manufacturing cookies with the supplier and are recognized when the reconciliation has been completed. Cookie fundraising is recognized on an accrual basis based on the number of cases sold. General donations are recognized when received.

The Canadian World Friendship Fund ("CWFF") contains specified donations and net investment income from the Jean Youngson Fund, as described in note 1(f)(i). This fund helps support international guiding by assisting in travel expenses for international events and supporting girls and young women to attend training programs at a World Centre. The World Centre is a residential development centre where girls and young women acquire leadership and life skills. CWFF revenue is recognized when expenditures for international initiatives are incurred.

The Organization receives 20% of the net proceeds upon sale of real property assets by the Councils. This revenue is recognized when the title of the real property is transferred.

Investment income, which is recorded on the accrual basis, includes interest income and change in net unrealized gains.

Merchandising revenue is recorded when merchandise is shipped to the customer.

Endowments are recognized as direct increases in net assets, are required to be maintained on a permanent basis and only the revenue derived therefrom is available to support the Organization's activities.

GIRL GUIDES OF CANADA-GUIDES DU CANADA, NATIONAL OPERATIONS

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has elected to carry non-equity investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

Net investment income comprises interest income, amortization of premiums and discounts, dividends, gains and losses on the sale of investments and unrealized gain or loss on investments.

(d) Inventory:

Merchandise inventory is measured at the lower of cost, determined on a first-in, first-out basis, and net realizable value. Cost includes all purchase costs. Net realizable value is the estimated selling price in the normal course of business less the estimated costs to make the sale. Cost of sales includes all costs of inventory recognized as expenses in the year.

GIRL GUIDES OF CANADA-GUIDES DU CANADA, NATIONAL OPERATIONS

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(e) Property and equipment:

Property and equipment are stated at cost less accumulated amortization. Amortization is based on the estimated useful lives of the assets and is calculated on a straight-line basis as follows:

Building	15 years
Office equipment and furniture	5 - 10 years
Computer equipment	3 years
Computer software	3 years

(f) Endowment funds:

The income from the endowment funds is subject to the following restrictions:

(i) Jean Youngson Fund:

This fund covers the cost of guiders in charge who accompany girls to international events. Any remaining balance is available to augment donation income in the CWFF.

(ii) Joan Fiskén Fund:

This fund assists girls from the Yukon, the Northwest Territories and Newfoundland and Labrador in covering the costs of attending events at Our Cabaña.

(iii) Norma Osler Education Fund:

This fund will provide a scholarship on an annual basis to a young woman who is pursuing a post-secondary degree with particular emphasis in the field of Education.

GIRL GUIDES OF CANADA-GUIDES DU CANADA, NATIONAL OPERATIONS

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(iv) Endowment Fund:

The Endowment Fund was established by the Organization to create a capital reserve to supplement the annual budget. Until the capital in the fund reaches \$1,000,000, all investment income will be reinvested in the fund. Thereafter, until the capital reaches \$2,000,000, up to 50% of the earned income will be available for special purposes. The Board can determine the usage of funds following the fund reaching \$2,000,000.

(g) Internally restricted net assets:

These funds reflect assets designated by the Board to provide funds for operations and special purposes. These amounts are disclosed in note 8.

(h) Donated services:

The Organization's activities include time donated by a substantial number of volunteers. Since no objective basis exists for recording and assigning values to these services, they are not reflected in the financial statements.

(i) Pension plan:

The Organization maintains a defined contribution pension plan for employees. The expense for this plan is equal to the Organization's required contribution for the year. Pension expense for the year was \$159,000 (2016 - \$144,620).

(j) Allocation of general administrative expenses:

The Organization classifies expenses on the statement of operations by function. Certain officers and employees perform a combination of program, volunteer support, marketing, fundraising and administrative functions: as a result, certain salaries and benefits are allocated based on the number of people employed within a function. Other costs, including information management, legal, communications, amortization and facilities costs, have also been allocated based on the number of people employed within a function.

GIRL GUIDES OF CANADA-GUIDES DU CANADA, NATIONAL OPERATIONS

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to estimates and assumptions include the allocation of expenses. Actual results could differ from those estimates.

2. Inventory:

Inventory expensed to merchandising expenses during the year was \$1,652,400 (2016 - \$1,614,356). During the year, \$8,304 (2016 - \$25,193) was recorded as a write-down from cost to net realizable value to merchandising expenses. There were no reversals of previously recorded inventory write-downs during the year.

3. Investments:

	2017	2016
Pooled funds	\$ 17,192,932	\$ 15,829,892
Guaranteed investment certificate	-	1,000,000
	<u>\$ 17,192,932</u>	<u>\$ 16,829,892</u>

4. Property and equipment:

	2017		2016	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 120,994	\$ -	\$ 120,994	\$ 120,994
Building	3,151,984	2,142,362	1,009,622	1,119,080
Office equipment and furniture	601,999	473,768	128,231	100,299
Computer equipment	413,908	355,226	58,682	49,124
Computer software	1,571,013	1,257,216	313,797	505,017
	<u>\$ 5,859,898</u>	<u>\$ 4,228,572</u>	<u>\$ 1,631,326</u>	<u>\$ 1,894,514</u>

GIRL GUIDES OF CANADA-GUIDES DU CANADA, NATIONAL OPERATIONS

Notes to Financial Statements (continued)

Year ended December 31, 2017

4. Property and equipment (continued):

Included in the allocated expenses in the statement of operations is amortization expense of \$441,086 (2016 - \$415,151).

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities as at December 31, 2017 are government remittances payable of \$15,339 (2016 - \$13,061) relating to harmonized sales tax, payroll taxes, health taxes and workers' safety insurance.

6. Deferred contributions:

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations for specific programs.

					2017	2016
	Diversity and inclusivity	CWFF	Scholarship program	Our Cabaña program	Total	Total
Balance, beginning of year	\$ -	\$ 738,950	\$ 120,242	\$ 10,055	\$ 869,247	\$ 852,251
Donations/contributions	100,000	148,150	47,391	-	295,541	231,344
Investment income (note 10)	-	43,191	-	465	43,656	28,949
Recognized as revenue	-	(204,110)	(54,000)	-	(258,110)	(243,297)
Balance, end of year	\$ 100,000	\$ 726,181	\$ 113,633	\$ 10,520	\$ 950,334	\$ 869,247

7. Endowment funds:

	2017	2016
Jean Youngson Fund	\$ 463,733	\$ 463,733
Joan Fiske Fund	5,000	5,000
Norma Osler Education Fund	140,380	130,231
Endowment Fund	956,876	874,684
	\$ 1,565,989	\$ 1,473,648

GIRL GUIDES OF CANADA-GUIDES DU CANADA, NATIONAL OPERATIONS

Notes to Financial Statements (continued)

Year ended December 31, 2017

8. Internally restricted net assets:

The Board has internally restricted amounts for future initiatives. The internally restricted amounts are not available without approval of the Board.

	2017	2016
Cookie Stabilization	\$ 1,500,000	\$ 1,500,000
Girl travel and events	320,091	285,633
	\$ 1,820,091	\$ 1,785,633

9. Related party transactions:

The Organization has certain economic relationships with the Councils.

The Organization collected and remitted \$5,211,455 (2016 - \$4,932,339) in registration fees to Provincial Councils and, as such, does not reflect these amounts in these financial statements.

The Organization administers the purchase of cookies on behalf of the Provincial Councils. During the year the Organization collected and remitted \$11,802,590 (2016 - \$11,105,797) and, as such, does not reflect these amounts in these financial statements.

Included in accounts receivable is \$766,097 (2016 - \$43,195) due from Provincial Councils, of which \$671,838 (2016 - nil) related to real property revenue. The remaining amounts owing are related to membership fees and reimbursement of expenses paid on their behalf.

Included in accounts payable and accrued liabilities is \$7,080 (2016 - \$1,448) due to Provincial Councils for registration fees collected on their behalf.

These transactions are in the normal course of operations and are measured at the exchange amounts, which is the amount of consideration established and agreed to by the related parties.

GIRL GUIDES OF CANADA-GUIDES DU CANADA, NATIONAL OPERATIONS

Notes to Financial Statements (continued)

Year ended December 31, 2017

10. Net investment income:

Net investment income is recorded as follows:

			2017	2016
	Realized investment income	Unrealized investment income	Total	Total
Revenue in the statement of operations	\$ 974,909	\$ 590,848	\$ 1,565,757	\$ 942,002
Deferred contributions (note 6)	24,246	19,410	43,656	28,949
	\$ 999,155	\$ 610,258	\$ 1,609,413	\$ 970,951

11. Commitments and contingencies:

(a) Commitments:

The Organization is committed, under operating lease expiring with terms extending into 2021 for equipment with the following minimum annual rental payments:

2018	\$ 21,080
2019	15,680
2020	15,500
2021	5,360
	\$ 57,620

(b) Contingencies:

From time to time, the Organization may be involved in legal actions, the outcomes of which are not within the Organization's complete control and may not be known for prolonged periods of time. The Organization records a liability in the financial statements when the loss is known or considered probable and the amount can be reasonably estimated.

GIRL GUIDES OF CANADA-GUIDES DU CANADA, NATIONAL OPERATIONS

Notes to Financial Statements (continued)

Year ended December 31, 2017

11. Commitments and contingencies (continued):

In addition, the Organization guarantees any debt or lease obligation assumed by the Councils.

In the opinion of management, any liability which may arise from such contingencies or guarantees would not have a material effect on the financial statements of the Organization.

12. Banking facilities:

The Organization has a \$463,000 operating line of credit available for use with a Canadian financial institution, bearing interest at prime plus 0.25%. At year end, the Organization had not drawn on this line of credit (2016 - nil). The Organization also has a letter of guarantee outstanding of \$107,000. A general security agreement providing a first charge over all accounts receivable, inventory and equipment is in place for these facilities.

13. Allocation of expenses:

The following table summarizes direct expenses and allocated expenses which are included in the statement of operations:

			2017	2016
	Direct expenses	Allocated expenses	Total	Total
Girl empowerment programs	\$ 1,753,884	\$ 1,509,456	\$ 3,263,340	\$ 4,132,453
Volunteer support and engagement	1,002,295	754,728	1,757,023	1,639,616
Marketing	1,227,843	867,937	2,095,780	2,489,020
Fund development	862,965	377,364	1,240,329	1,365,044
Governance and administration	2,096,289	264,155	2,360,444	3,364,894
Canadian World Friendship Fund	204,110	–	204,110	193,297
World Association of Girl Guides and Girl Scouts	114,091	–	114,091	116,235
	\$ 7,261,477	\$ 3,773,640	\$ 11,035,117	\$ 13,300,559

GIRL GUIDES OF CANADA-GUIDES DU CANADA, NATIONAL OPERATIONS

Notes to Financial Statements (continued)

Year ended December 31, 2017

14. Financial risks:

The Organization manages its investment portfolio to earn investment income and invests according to a Statement of Investment Policy approved by the Board. The Organization is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

The Organization believes that it is not exposed to significant interest rate, market, credit or cash flow risk arising from its financial instruments.

Additionally, the Organization believes it is not exposed to significant liquidity risk as all investments are held in instruments that are highly liquid and can be disposed of to settle commitments.

15. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

GIRL GUIDES OF CANADA-GUIDES DU CANADA

(NATIONAL OPERATIONS)

Schedule of Merchandising

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Sales	\$ 4,201,601	\$ 4,005,977
Cost of sales	2,783,542	2,716,646
Gross margin	1,418,059	1,289,331
Expenses:		
Human resources and administration	167,942	186,098
Shipping and postage	401,457	359,058
	569,399	545,156
Net contribution	\$ 848,660	\$ 744,175