

Big Brothers Big Sisters of London and Area

Financial Statements
March 31, 2014



September 18, 2014

Independent Auditor's Report

To the Directors of Big Brothers Big Sisters of London and Area

We have audited the accompanying financial statements of Big Brothers Big Sisters of London and Area (the Organization), which comprise the statement of financial position as at March 31, 2014 and the statements of changes in accumulated net assets, revenues and expenditures and cash flows for the year then ended, and the related notes, which comprise 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.

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.

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Basis for qualified opinion

In common with many charitable organizations, the Organization derives revenues from the general public through donations and fundraising activities, 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 Organization. Therefore, we were not able to determine whether any adjustments might be necessary to the deficiency of revenues over expenditures and cash flows from operations for the year ended March 31, 2014, current assets as at March 31, 2014 and accumulated net assets at April 1, 2013 and March 31, 2014. Our audit opinion on the financial statements for the year ended March 31, 2013 was modified accordingly because of the possible effects of this limitation in scope.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2014 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Big Brothers Big Sisters of London and Area

Statement of Financial Position

As at March 31, 2014

	Investment in capital assets \$	Reserve fund \$	Gala fund \$	Operating fund \$	2014 \$	2013 \$
Assets						
Current assets						
Cash	2,405	93	81,868	28,487	112,853	175,928
Investments (note 3)	524,421	-	-	-	524,421	514,195
Other receivables	-	-	-	7,872	7,872	10,197
OTF receivables (note 4)	-	-	-	59,000	59,000	-
Prepaid expenses	-	-	-	1,650	1,650	5,928
Inter-fund balances	31,056	-	3,179	-	34,235	34,235
	557,882	93	85,047	97,009	740,031	740,483
Long-term receivable (note 4)	-	-	-	56,400	56,400	-
Capital assets (note 5)	1,997	-	-	-	1,997	2,139
	559,879	93	85,047	153,409	798,428	742,622
Liabilities						
Current liabilities						
Accounts payable and accrued liabilities (note 6)	-	-	-	52,778	52,778	58,984
Inter-fund balances	-	-	-	34,235	34,235	34,235
	-	-	-	87,013	87,013	93,219
Deferred contributions (note 7)						
Expenses of future periods	-	-	7,375	125,675	133,050	34,407
Capital assets	70,338	-	-	-	70,338	70,338
	70,338	-	7,375	125,675	203,388	104,745
Accumulated net assets	489,541	93	77,672	(59,279)	508,027	544,658
	559,879	93	85,047	153,409	798,428	742,622

Approved by the Board of Directors

_____ Director _____ Director

The accompanying notes are an integral part of these financial statements.

Big Brothers Big Sisters of London and Area

Statement of Changes in Accumulated Net Assets

For the year ended March 31, 2014

	Investment in capital assets \$	Reserve fund \$	Gala fund \$	Operating fund \$	2014 \$	2013 \$
Balance - Beginning of year	504,188	93	64,305	(23,928)	544,658	587,488
(Deficiency) excess of revenue over expenditures	(650)	-	76,386	(112,367)	(36,631)	(42,830)
Interfund transfers (note 8)	(13,997)	-	(63,019)	77,016	-	-
Balance - End of year	<u>489,541</u>	<u>93</u>	<u>77,672</u>	<u>(59,279)</u>	<u>508,027</u>	<u>544,658</u>

The accompanying notes are an integral part of these financial statements.

Big Brothers Big Sisters of London and Area

Statement of Revenues and Expenditures

For the year ended March 31, 2014

	Investment in capital assets \$	Reserve fund \$	Gala fund \$	Operating fund \$	2014 \$	2013 \$
Revenues						
United Way	-	-	-	412,500	412,500	400,000
Fundraising events (note 9)	-	-	103,098	113,366	216,464	209,274
Donations, grants and other	-	-	-	243,445	243,445	225,200
Interest and other income	-	-	667	20,100	20,767	18,402
	-	-	103,765	789,411	893,176	852,876
Expenditures						
General and administrative	-	-	-	351,042	351,042	338,166
Fundraising events and stewardship (note 9)	-	-	27,379	11,531	38,910	37,796
Children's programs and services	-	-	-	504,003	504,003	482,694
Membership fees	-	-	-	14,646	14,646	14,573
Professional services	-	-	-	12,317	12,317	10,800
Training and development	-	-	-	8,239	8,239	8,338
Amortization	650	-	-	-	650	3,339
	650	-	27,379	901,778	929,807	895,706
(Deficiency) excess of revenues over expenditures	(650)	-	76,386	(112,367)	(36,631)	(42,830)

The accompanying notes are an integral part of these financial statements.

Big Brothers Big Sisters of London and Area

Statement of Cash Flows

For the year ended March 31, 2014

	Investment in capital assets \$	Reserve fund \$	Gala fund \$	Operating fund \$	2014 \$	2013 \$
Cash provided by (used in)						
Operating activities						
(Deficiency) excess of revenues over expenditures	(650)	-	76,386	(112,367)	(36,631)	(42,830)
Items not affecting cash						
Amortization of capital assets	650	-	-	-	650	3,339
Amortization of deferred contributions	-	-	(17,750)	(47,165)	(64,915)	(11,150)
	-	-	58,636	(159,532)	(100,896)	(50,641)
Changes in non-cash working capital items						
Other receivables (note 4)	-	-	-	2,325	2,325	1,620
Prepaid expenses	-	-	-	4,278	4,278	270
Accounts payable	-	-	-	(6,206)	(6,206)	4,742
Deferred contributions (note 4)	-	-	-	48,158	48,158	32,004
Cash (for) from operating activities	-	-	58,636	(110,977)	(52,341)	(12,005)
Investing activities						
Inter-fund transfers	(13,997)	-	(63,019)	77,016	-	-
Purchase of capital assets	(508)	-	-	-	(508)	-
Changes in investments	(10,226)	-	-	-	(10,226)	(3,373)
Cash from (for) investing activities	(24,731)	-	(63,019)	77,016	(10,734)	(3,373)
(Decrease) increase in cash during the year	(24,731)	-	(4,383)	(33,961)	(63,075)	(15,378)
Cash - Beginning of year	27,136	93	86,251	62,448	175,928	191,306
Cash - End of year	2,405	93	81,868	28,487	112,853	175,928

The accompanying notes are an integral part of these financial statements.

Big Brothers Big Sisters of London and Area

Notes to Financial Statements

March 31, 2014

1 Nature of organization

Big Brothers Big Sisters of London and Area (the Organization) is a non-profit organization whose mission is to provide positive mentoring experiences to boys and girls in order to foster the development of their self esteem and potential for a brighter future. The Organization is a registered charity and its charitable donation registration number is 12982-0874-RR0001.

2 Significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) within the framework of the accounting policies summarized below.

Fund accounting

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by donors or in accordance with directives issued by the Board of Directors. Transfers between the funds are made when it is considered appropriate and authorized by the Board of Directors.

For financial reporting purposes, the accounts have been classified into the following funds:

Investment in capital assets

Investment in capital assets reports the assets, liabilities, revenues and expenses related to the Organization's capital assets.

Reserve Fund

The Board of Directors has determined that an internally restricted Reserve Fund should be established to ensure the continuance of services in future years. The Board of Directors may authorize the transfer of Reserve Funds in order to offset any shortfall in the Operating Fund. Both the allocation to and from the Reserve Fund is to be determined on an annual basis at the discretion of the Board of Directors.

Gala Fund

The internally restricted Gala Fund reports the assets, liabilities, revenues and expenses related to the Organization's annual Gala.

Big Brothers Big Sisters of London and Area

Notes to Financial Statements

March 31, 2014

Operating Fund

The Operating Fund accounts for the Organization's general fundraising and administrative activities. The Operating Fund reports unrestricted resources available for immediate purposes.

Revenue recognition

The Organization follows the deferral method of accounting for contributions which include donations and government grants.

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.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purpose of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Grants, donations, United Way allotment and other revenue to support general operations are recorded as unrestricted.

Fundraising revenue net of expenses, related to the annual gala event, are included in the internally restricted Gala Fund.

Bequest and endowment contributions received by the Organization are transferred to the Big Brothers Big Sisters of London and Area Endowment Fund (note 11).

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the following estimated useful lives:

Furniture and equipment	5 years
Computer hardware	3 years
Computer software	2 years

Volunteer contributions

Volunteers contribute numerous hours per year to assist the Organization in carrying out its mission. Due to the difficulty of determining fair value, volunteer contributions are not recognized in the financial statements.

Income taxes

The Organization is a Public Foundation incorporated under the laws of Ontario as a corporation without share capital. It is registered as a charity under The Income Tax Act, and as such there is no provision for income taxes.

Big Brothers Big Sisters of London and Area

Notes to Financial Statements

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Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from those estimates.

Financial instruments

The Organization's financial instruments include cash, investments, other receivables, and accounts payable and accrued liabilities. Due to their nature or capacity for prompt liquidations, the fair values of these financial instruments approximate their carrying value.

It is management's opinion that the Organization is not exposed to significant interest rate, currency or credit risk arising from these financial instruments. Risk management measures to mitigate these risks are outlined in note 13.

3 Investments

Short-term investments are comprised of GICs that are recorded at market value with interest rates ranging from 1.25% to 3.00% and maturing in less than one year.

4 Long-term receivable

In November 2013, the Organization was approved for a grant from the Ontario Trillium Foundation (OTF) for \$150,000 payable over 3 years. Payments commenced in November 2013, with the last payment expected in June 2016. As of March 31, 2014, \$34,600 has been received, with another \$115,400 due in future periods, \$59,000 of which is current. The corresponding amount has been recorded within deferred contributions (note 7).

Big Brothers Big Sisters of London and Area

Notes to Financial Statements

March 31, 2014

5 Capital assets

			2014
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Furniture and equipment	107,292	105,295	1,997
Computer hardware	67,278	67,278	-
Computer software	18,172	18,172	-
	<hr/>	<hr/>	<hr/>
	192,742	190,745	1,997
	<hr/>	<hr/>	<hr/>
			2013
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Furniture and equipment	106,784	104,645	2,139
Computer hardware	67,278	67,278	-
Computer software	18,172	18,172	-
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	192,234	190,095	2,139
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6 Government remittances payable

At March 31, 2014, the Organization has outstanding government remittances payable including amounts for federal and provincial sales taxes, payroll taxes, health taxes, and workers' safety insurance premiums of \$7,872 (2013 - \$10,197). None of these remittances are in arrears.

7 Deferred contributions

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted gains and donations.

	2014	2013
	\$	\$
Balance - Beginning of year	34,407	13,882
Less: Amount recognized as revenue in the year	(64,915)	(11,150)
Add: Amount received during the year	163,558	31,675
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Balance - End of year	133,050	34,407
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Big Brothers Big Sisters of London and Area

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b) Capital assets

Deferred contributions related to capital assets represent the unspent amount of donations received for the purchase of capital assets. The changes in the deferred contributions balance for the year are as follows:

	2014	2013
	\$	\$
Balance - Beginning of year	70,338	70,009
Add: Interest	-	329
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Balance - End of year	70,338	70,338

8 Interfund transfers

The net proceeds of \$63,019 (2013 - \$88,095) from the May 2013 (2012) Gala were transferred during the year from the Gala Fund to the Operating Fund to fund the general operations of the Organization.

9 Fundraising events and stewardship

			2014	2013
	Revenues	Expenses	Net	Net
	\$	\$	\$	\$
Gala evening	103,098	27,379	75,719	76,735
Golf tournament	39,438	4,466	34,972	43,319
Bowl for Kids' Sake	73,928	4,588	69,340	56,651
Volunteer recognition	-	2,039	(2,039)	(3,398)
I Luv London	-	-	-	130
Other	-	438	(438)	(1,959)
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	216,464	38,910	177,554	171,478

10 Lease commitments

The Organization has entered into a lease agreement for the building it rents. Under the terms of the lease, which expires November 30, 2015, the Organization pays utilities, insurance, property taxes, repairs and maintenance, and other like costs. The annual base rental payments are as follows:

	\$
Year ending March 31, 2015	72,199
2016	48,133

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11 Big Brothers Big Sisters of London and Area Endowment Fund (the Fund)

A permanent charitable endowment fund has been created within the London Community Foundation. Interest and dividend income earned by the Fund shall be paid on an annual basis no later than April 30 each year. Net realized gains on the sale of investments will be reinvested as capital unless notice to the contrary is secured by the London Community Foundation by May 30 of each year. If in any year there occurs a realized loss that reduces the Fund balance below the total value of the capital donations, then no payout of net income or realized gains would be made from the Fund until the original capital has been rebuilt. An annual administration fee, of not more than 1% capital, is charged to the Fund by the London Community Foundation. Changes in the balance of the Fund are as follows:

	2014	2013
	\$	\$
Balance - Beginning of year	221,345	204,027
Donations	-	-
Investment gains	33,622	18,965
Transfers from Big Brothers of London endowment fund	-	500
Disbursement to Big Brothers Big Sisters of London and Area	(8,700)	-
Administrative fees	(2,339)	(2,147)
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Balance - End of year	243,928	221,345

12 Capital disclosure

The Organization manages its capital to ensure that it will be able to continue as a going concern while maximizing its ability to achieve the Organization's mission through suitable debt and accumulated net assets appropriate for an entity of the Organization's size and status. The Organization is not subject to externally imposed capital requirements and the Organization's strategy with respect to capital risk management is to perform annual cash flow projections, reviewed by the Board of Directors on a quarterly basis.

The capital structure of the Organization consists of accumulated net assets comprised of those invested in capital assets, internally restricted and unrestricted funds.

13 Risk management

Credit and market risk

The Organization has an investment policy which restricts the types and amounts of eligible investments. The policy permits investments in fixed income investments. The Organization does not have any significant exposure to credit risk.

Big Brothers Big Sisters of London and Area

Notes to Financial Statements

March 31, 2014

Currency risk

The Organization's assets, liabilities, revenues and expenses are denominated in Canadian dollars. As such, the Organization is not exposed to significant currency risk.

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Organization's cash flows, financial position and income. Interest rate changes directly impact the value of fixed income securities. The Organization manages the interest rate price risk exposure of its fixed income investments by holding investments with varying terms to maturity.

