

Big Brothers Big Sisters of London and Area

Financial Statements
March 31, 2016



September 26, 2016

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, 2016 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 fundraising events, donations, grants and other revenues, the deficiency of revenues over expenditures and cash flows from operations for the years ended March 31, 2016 and March 31, 2015, current assets as at March 31, 2016 and March 31, 2015 and accumulated net assets as at the beginning and the end of the years ended March 31, 2016 and March 31, 2015. Our audit opinion on the financial statements for the year ended March 31, 2015 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, 2016 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, 2016

	Capital fund \$	Reserve fund \$	Gala fund \$	Operating fund \$	2016 \$	2015 \$
Assets						
Current assets						
Cash	27,551	93	97,611	20,800	146,055	112,508
Investments (note 3)	433,797	-	-	-	433,797	457,104
Other receivables	-	-	-	16,139	16,139	38,748
OTF receivables (note 4)	-	-	-	83,000	83,000	40,900
Prepaid expenses	-	-	-	12,995	12,995	2,818
Inter-fund balances receivable	19,979	-	19,076	-	39,055	34,235
	481,327	93	116,687	132,934	731,041	686,313
Long-term OTF receivable (note 4)	-	-	-	7,500	7,500	15,500
Capital assets (note 5)	13,336	-	-	-	13,336	17,981
	494,663	93	116,687	140,434	751,877	719,794
Liabilities						
Current liabilities						
Accounts payable and accrued liabilities (note 6)	-	-	-	57,756	57,756	59,927
Inter-fund balances payable	-	-	-	39,055	39,055	34,235
	-	-	-	96,811	96,811	94,162
Deferred contributions (note 7)						
Expenses of future periods	-	-	53,900	95,932	149,832	71,424
Capital assets	56,165	-	-	-	56,165	56,165
	56,165	-	53,900	95,932	205,997	127,589
Accumulated net assets	438,498	93	62,787	(52,309)	449,069	498,043
	494,663	93	116,687	140,434	751,877	719,794

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, 2016

	Capital fund \$	Reserve fund \$	Gala fund \$	Operating fund \$	2016 \$	2015 \$
Balance - Beginning of year	472,443	93	79,621	(54,114)	498,043	508,027
(Deficiency) excess of revenue over expenditures	(8,945)	-	58,355	(98,384)	(48,974)	(24,157)
Interfund transfers (note 8)	(25,000)	-	(75,189)	100,189	-	14,173
Balance - End of year	<u>438,498</u>	<u>93</u>	<u>62,787</u>	<u>(52,309)</u>	<u>449,069</u>	<u>498,043</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, 2016

	Capital fund \$	Reserve fund \$	Gala fund \$	Operating fund \$	2016 \$	2015 \$
Revenues						
United Way	-	-	-	418,750	418,750	412,500
Fundraising events (note 9)	-	-	83,500	83,142	166,642	203,816
Donations, grants and other	-	-	-	324,197	324,197	332,937
Interest and other income	-	-	294	16,251	16,545	17,695
	-	-	83,794	842,340	926,134	966,948
Expenditures						
General and administrative	-	-	-	351,044	351,044	358,298
Fundraising events and stewardship (note 9)	-	-	25,439	20,380	45,819	40,755
Children's programs and services	-	-	-	528,607	528,607	540,124
Membership fees	-	-	-	14,912	14,912	14,823
Professional services	-	-	-	18,916	18,916	19,094
Training and development	-	-	-	6,865	6,865	9,926
Amortization	8,945	-	-	-	8,945	8,085
	8,945	-	25,349	940,724	975,108	991,105
(Deficiency) excess of revenues over expenditures	(8,945)	-	58,355	(98,384)	(48,974)	(24,157)

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, 2016

	Capital fund \$	Reserve fund \$	Gala fund \$	Operating fund \$	2016 \$	2015 \$
Cash provided by (used in)						
Operating activities						
(Deficiency) excess of revenues over expenditures	(8,945)	-	58,355	(98,384)	(48,974)	(24,157)
Items not affecting cash						
Amortization of capital assets	8,945	-	-	-	8,945	8,085
Amortization of deferred contributions	-	-	(7,975)	(195,295)	(203,270)	(297,645)
	-	-	50,380	(293,679)	(243,299)	(313,717)
Changes in non-cash working capital items						
Other receivables	-	-	-	22,609	22,609	(30,876)
OTF receivables (note 4)	-	-	-	(34,100)	(34,100)	59,000
Prepaid expenses	-	-	-	(10,177)	(10,177)	(1,168)
Accounts payable	-	-	-	(2,171)	(2,171)	7,149
Deferred contributions received (note 7)	-	-	53,900	227,778	281,678	221,846
Inter-fund balances, net	(13,923)	-	(91,086)	105,009	-	14,173
Cash provided by (used in) operating activities	(13,923)	-	13,194	15,269	14,540	(43,593)
Investing activities						
Purchase of capital assets	(4,300)	-	-	-	(4,300)	(24,069)
Changes in investments	23,307	-	-	-	23,307	67,317
Cash provided by investing activities	19,007	-	-	-	19,007	43,248
Increase (decrease) in cash during the year	5,084	-	13,194	15,269	33,547	(345)
Cash - Beginning of year	22,467	93	84,417	5,531	112,508	112,853
Cash - End of year	27,551	93	97,611	20,800	146,055	112,508

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, 2016

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:

Capital fund

The Capital fund reports the assets, liabilities, revenues and expenses related to the Organization's capital assets. Proceeds from disposal of capital assets are retained in the Capital fund until such time that they are utilized to replace capital assets or transferred to another fund as approved by the Board of Directors.

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

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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 provided to support general operations of the Organization are recorded as unrestricted revenue within the Operating fund.

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, held with the London Community Foundation (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 hours 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 (Canada), and as such there is no provision for income taxes.

Big Brothers Big Sisters of London and Area

Notes to Financial Statements

March 31, 2016

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, Ontario Trillium Foundation (OTF) 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.

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 1.00% to 2.10% and maturing in less than one year.

4 Long-term OTF receivable

The Organization has approved grants from the OTF. As at March 31, 2016, there was \$15,500 owing from a grant that was originally approved in November 2013 and \$75,000 from a grant that was approved in March 2016. \$83,000 of this balance is current with the remaining \$7,500 being long term. The corresponding amounts have been recorded within deferred contributions, and are restricted in use (note 7).

Big Brothers Big Sisters of London and Area

Notes to Financial Statements

March 31, 2016

5 Capital assets

	2016		
	Cost \$	Accumulated amortization \$	Net \$
Furniture and equipment	115,999	109,217	6,782
Computer hardware	86,940	80,386	6,554
Computer software	18,172	18,172	-
	<u>221,111</u>	<u>207,775</u>	<u>13,336</u>
	2015		
	Cost \$	Accumulated amortization \$	Net \$
Furniture and equipment	111,700	106,827	4,873
Computer hardware	86,940	73,832	13,108
Computer software	18,172	18,172	-
	<u>216,812</u>	<u>198,831</u>	<u>17,981</u>

6 Government remittances payable

At March 31, 2016, 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 \$12,355 (2015 - \$13,498). 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.

	2016 \$	2015 \$
Balance - Beginning of year	71,424	133,050
Less: Amount recognized as revenue in the year	(203,270)	(297,645)
Add: Amount received during the year	<u>281,678</u>	<u>236,019</u>
Balance - End of year	<u>149,832</u>	<u>71,424</u>

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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 prior period adjustment relates to interest earned on the contributions related to capital assets for years 2011, 2012, and 2013, which is included in the interfund transfers on the statement of changes in accumulated net assets.

	2016 \$	2015 \$
Balance - Beginning of year	56,165	70,338
Less: Prior period adjustment	-	(14,173)
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Balance - End of year	56,165	56,165

8 Interfund transfers

The net proceeds of the previous year's gala are transferred from the Gala fund to the Operating fund to fund general operations of the Organization. During the year, \$75,189 (2015 - \$77,122) was transferred from the Gala fund to the Operating fund. Additional amounts are also transferred from the Capital fund to the Operating fund during the year, as required to fund general operations.

9 Fundraising events and stewardship

			2016	2015
	Revenues \$	Expenses \$	Net \$	Net \$
Gala evening	83,500	25,439	58,061	78,556
Golf tournament	41,333	5,472	35,861	33,751
Bowl for Kids' Sake	41,809	2,497	39,312	56,175
Volunteer recognition	-	733	(733)	(2,740)
Other	-	11,678	(11,678)	(2,681)
	<hr/>	<hr/>	<hr/>	<hr/>
	166,642	45,819	120,823	163,061

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, 2020, the Organization pays utilities, insurance, property taxes, repairs and maintenance, and other like costs. The Organization is committed to the lease until November 30, 2018, after which it has the option to cancel with six months' notice. The annual base rental payments are as follows:

Big Brothers Big Sisters of London and Area

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	\$
Year ending March 31, 2017	72,199
2018	72,199
2019	72,199
2020	48,133
2021	-

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, which are not reflected in these financial statements, are as follows:

	2016 \$	2015 \$
Balance - Beginning of year	250,966	243,928
Donations	-	1,000
Investment (losses) gains	(838)	16,747
Transfers from Big Brothers of London endowment fund	250	500
Disbursement to the Organization	(8,750)	(8,700)
Administrative fees	(2,474)	(2,509)
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Balance - End of year	239,154	250,966

12 Capital management

The Organization manages its capital to ensure it will be able to continue as a going concern while maximizing its ability to achieve the Organization's mission through 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, and internally restricted and unrestricted funds.

Big Brothers Big Sisters of London and Area

Notes to Financial Statements

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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.

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.