

# **Big Brothers Big Sisters of London and Area**

Financial Statements  
**March 31, 2017**



October 5, 2017

## **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, which comprise the statement of financial position as at March 31, 2017 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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*PricewaterhouseCoopers LLP  
465 Richmond Street, Suite 400, London, Ontario, Canada N6A 5P4  
T: +1 519 640 8000, F: +1 519 640 8015*



**Basis for qualified opinion**

In common with many not-for-profit organizations, Big Brothers Big Sisters of London and Area derives revenues from the general public through donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Big Brothers Big Sisters of London and Area. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising events, donations, grants and other revenues, excess (deficiency) of revenues over expenditures and cash flows for the years ended March 31, 2017 and March 31, 2016, current assets as at March 31, 2017 and March 31, 2016 and accumulated net assets as at the beginning and the end of the years ended March 31, 2017 and March 31, 2016. Our audit opinion on the financial statements for the year ended March 31, 2016 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 Big Brothers Big Sisters of London and Area as at March 31, 2017 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, 2017

	Capital fund \$	Reserve fund \$	Operating fund \$	2017 \$	2016 \$
<b>Assets</b>					
<b>Current assets</b>					
Cash	27,979	93	101,368	129,440	146,055
Investments (note 3)	440,152	-	-	440,152	433,797
Other receivables (note 9)	-	-	49,361	49,361	16,139
Grants receivable (note 4)	-	-	58,500	58,500	83,000
Prepaid expenses	-	-	16,464	16,464	12,995
Inter-fund balances receivable	19,979	-	-	19,979	39,055
	488,110	93	225,693	713,896	731,041
<b>Long-term grants receivable</b> (note 4)	-	-	76,500	76,500	7,500
<b>Capital assets</b> (note 5)	11,008	-	-	11,008	13,336
	499,118	93	302,193	801,404	751,877
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities (note 6)	-	-	68,343	68,343	57,756
Inter-fund balances payable	-	-	19,979	19,979	39,055
	-	-	88,322	88,322	96,811
<b>Deferred contributions</b> (note 7)					
Expenses of future periods	-	-	172,737	172,737	149,832
Capital assets	56,165	-	-	56,165	56,165
	56,165	-	172,737	228,902	205,997
<b>Accumulated net assets</b>	442,953	93	41,134	484,180	449,069
	499,118	93	302,193	801,404	751,877

**Commitments** (note 10)

**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, 2017

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	Capital fund \$	Reserve fund \$	Operating fund \$	2017 \$	2016 \$
<b>Balance - Beginning of year</b>	438,498	93	10,478	449,069	498,043
Excess (deficiency) of revenues over expenditures	(9,894)	-	45,005	35,111	(48,974)
Inter-fund transfers	14,349	-	(14,349)	-	-
<b>Balance - End of year</b>	<u>442,953</u>	<u>93</u>	<u>41,134</u>	<u>484,180</u>	<u>449,069</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, 2017

	Capital fund \$	Reserve fund \$	Operating fund \$	2017 \$	2016 \$
<b>Revenues</b>					
United Way (note 8)	-	-	418,750	418,750	418,750
Fundraising events (note 9)	-	-	211,267	211,267	166,642
Donations, grants and other	-	-	278,889	278,889	120,927
Amortization of deferred contributions (note 7)	-	-	139,600	139,600	203,270
Interest and other income	-	-	25,382	25,382	16,545
	-	-	1,073,888	1,073,888	926,134
<b>Expenditures</b>					
General and administrative	-	-	357,107	357,107	351,044
Fundraising events and stewardship (note 9)	-	-	91,898	91,898	45,819
Children's programs and services	-	-	539,464	539,464	528,607
Membership fees	-	-	15,042	15,042	14,912
Professional services	-	-	14,806	14,806	18,916
Training and development	-	-	10,566	10,566	6,865
Amortization of capital assets	9,894	-	-	9,894	8,945
	9,894	-	1,028,883	1,038,777	975,108
<b>Excess (deficiency) of revenues over expenditures</b>	(9,894)	-	45,005	35,111	(48,974)

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, 2017

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	2017 \$	2016 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenues over expenditures	35,111	(48,974)
Items not affecting cash		
Amortization of capital assets	9,894	8,945
Amortization of deferred contributions	(139,600)	(203,270)
	(94,595)	(243,299)
Changes in non-cash working capital items		
Other receivables	(33,222)	22,609
Grants receivable	(44,500)	(34,100)
Prepaid expenses	(3,469)	(10,177)
Accounts payable and accrued liabilities	10,587	(2,171)
Deferred contributions received	162,505	281,678
Cash (used in) provided by operating activities	(2,694)	14,540
<b>Investing activities</b>		
Purchase of capital assets	(7,566)	(4,300)
(Increase) decrease in investments	(6,355)	23,307
Cash (used in) provided by investing activities	(13,921)	19,007
<b>(Decrease) increase in cash during the year</b>	(16,615)	33,547
<b>Cash - Beginning of year</b>	146,055	112,508
<b>Cash - End of year</b>	129,440	146,055

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, 2017

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### 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 Summary of 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.

#### 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.



# Big Brothers Big Sisters of London and Area

## Notes to Financial Statements

March 31, 2017

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### 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.

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

### 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.

### 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.

# Big Brothers Big Sisters of London and Area

## Notes to Financial Statements

March 31, 2017

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### Financial instruments

The Organization's financial instruments include cash, investments, other receivables, grants receivable 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 guaranteed investment certificates that are recorded at market value with interest rates ranging from 1.00% to 2.10% and maturing in less than one year.

### 4 Grants receivable

The Organization has approved grants from the Ontario Trillium Foundation (OTF) and City of London. As at March 31, 2017, there were receivables of \$135,000, of which \$7,500 is owing from the OTF grant that was approved in March 2016, with the remaining \$127,500 owing from the City of London that was approved in October 2016. The corresponding amounts have been recorded within deferred contribution, and are restricted in use (note 7).

	2017 \$	2016 \$
OTF grant	7,500	90,500
Less: Current portion	(7,500)	(7,500)
	<hr/> -	<hr/> 83,000
City of London grant	127,500	-
Less: Current portion	(51,000)	-
	<hr/> 76,500	<hr/> -

# Big Brothers Big Sisters of London and Area

## Notes to Financial Statements

March 31, 2017

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### 5 Capital assets

	<b>2017</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	
Furniture and equipment	115,999	111,655	4,344
Computer hardware	94,506	87,842	6,664
	<u>210,505</u>	<u>199,497</u>	<u>11,008</u>
			<b>2016</b>
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	
Furniture and equipment	115,999	109,217	6,782
Computer hardware	86,940	80,386	6,554
	<u>202,939</u>	<u>189,603</u>	<u>13,336</u>

### 6 Government remittances payable

At March 31, 2017, 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 \$17,650 (2016 - \$12,355). 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 grants and donations.

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Balance - Beginning of year	149,832	71,424
Less: Amount recognized as revenue during the year	(139,600)	(203,270)
Add: Amount received during the year	<u>162,505</u>	<u>281,678</u>
Balance - End of year	<u>172,737</u>	<u>149,832</u>

# Big Brothers Big Sisters of London and Area

## Notes to Financial Statements

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### b) Capital assets

Deferred contributions of \$56,165 (2016 - \$56,165) related to capital assets represent the unspent amount of donations received for the purchase of capital assets.

### 8 Economic dependence

Donation revenue from the United Way accounts for 39% (2016 - 45%) of all revenues of the Organization.

### 9 Fundraising events and stewardship

			2017	2016
	Revenues	Expenditures	Net	Net
	\$	\$	\$	\$
Gala evening	182,502	52,784	129,718	58,061
Golf tournament	28,765	4,584	24,181	35,861
Bowl for Kids' Sake	-	-	-	39,312
Volunteer recognition	-	3,799	(3,799)	(733)
Other	-	30,731	(30,731)	(11,678)
	211,267	91,898	119,369	120,823

Included in other receivables is \$27,634 (2016 - \$nil) relating to gala evening revenues.

### 10 Lease commitments

The Organization has entered into a lease agreement for the building it rents. Under the terms of the lease, which expire 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:

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

# Big Brothers Big Sisters of London and Area

Notes to Financial Statements

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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<sup>th</sup> of 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<sup>th</sup> 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% of 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:

	2017 \$	2016 \$
Balance - Beginning of year	239,154	250,966
Investment gains (losses)	27,095	(838)
Transfers from the Organization to the Fund	-	250
Disbursement to the Organization	(17,600)	(8,750)
Administrative fees	(2,493)	(2,474)
	<hr/>	<hr/>
Balance - End of year	246,156	239,154

## 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.

## 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.

# **Big Brothers Big Sisters of London and Area**

Notes to Financial Statements

March 31, 2017

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## **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.

## **14 Comparative figures**

Certain comparative figures have been reclassified to conform to the current year's financial statements presentation.