

Big Brothers Big Sisters of London and Area

Financial Statements
March 31, 2018



October 11, 2018

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, 2018 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 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, (deficiency) excess of revenues over expenditures and cash flows for the years ended March 31, 2018 and March 31, 2017, current assets as at March 31, 2018 and March 31, 2017 and accumulated net assets as at the beginning and the end of the years ended March 31, 2018 and March 31, 2017. Our audit opinion on the financial statements for the year ended March 31, 2017 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, 2018 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, 2018

	Capital fund \$	Operating fund \$	2018 \$	2017 \$ (restated - note 3)
Assets				
Current assets				
Cash	2,922	101,631	104,553	129,440
Investments (note 4)	365,565	-	365,565	440,152
Other receivables (note 10)	-	20,843	20,843	49,361
Grants receivable (note 5)	-	85,085	85,085	58,500
Prepaid expenses	-	8,618	8,618	16,464
	<u>368,487</u>	<u>216,177</u>	<u>584,664</u>	<u>693,917</u>
Long-term grants receivable (note 5)	-	25,500	25,500	76,500
Capital assets (note 6)	<u>7,414</u>	<u>-</u>	<u>7,414</u>	<u>11,008</u>
	<u>375,901</u>	<u>241,677</u>	<u>617,578</u>	<u>781,425</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (note 7)	-	77,056	77,056	68,343
Deferred contributions (note 8)	-	93,207	93,207	172,737
	<u>-</u>	<u>170,263</u>	<u>170,263</u>	<u>241,080</u>
Accumulated Net Assets	<u>375,901</u>	<u>71,414</u>	<u>447,315</u>	<u>540,345</u>
	<u>375,901</u>	<u>241,677</u>	<u>617,578</u>	<u>781,425</u>
Commitments (note 11)				

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, 2018

	Capital fund \$	Operating fund \$	2018 \$	2017 \$ (restated - note 3)
Balance - Beginning of year	499,118	41,227	540,345	505,234
(Deficiency) excess of revenues over expenditures	(4,563)	(88,467)	(93,030)	35,111
Inter-fund transfers	(118,654)	118,654	-	-
Balance - End of year	<u>375,901</u>	<u>71,414</u>	<u>447,315</u>	<u>540,345</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, 2018

	Capital fund \$	Operating fund \$	2018 \$	2017 \$
Revenues				
United Way (note 9)	-	418,750	418,750	418,750
Fundraising events (note 10)	-	160,682	160,682	211,267
Donations, grants and other	-	270,746	270,746	278,889
Amortization of deferred contributions (note 8)	-	93,505	93,505	139,600
Interest and other income	-	14,041	14,041	25,382
	-	957,724	957,724	1,073,888
Expenditures				
General and administrative	-	338,434	338,434	357,107
Fundraising events and stewardship (note 10)	-	78,520	78,520	91,898
Children's programs and services	-	594,182	594,182	539,464
Membership fees	-	14,987	14,987	15,042
Professional services	-	9,712	9,712	14,806
Training and development	-	10,356	10,356	10,566
Amortization of capital assets	4,563	-	4,563	9,894
	4,563	1,046,191	1,050,754	1,038,777
(Deficiency) excess of revenues over expenditures	(4,563)	(88,467)	(93,030)	35,111

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, 2018

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
(Deficiency) excess of revenues over expenditures	(93,030)	35,111
Items not affecting cash		
Amortization of capital assets	4,563	9,894
Amortization of deferred contributions	(93,505)	(139,600)
	(181,972)	(94,595)
Changes in non-cash working capital items		
Other receivables	28,518	(33,222)
Grants receivable	24,415	(44,500)
Prepaid expenses	7,846	(3,469)
Accounts payable and accrued liabilities	8,713	10,587
Deferred contributions received	13,975	162,505
	(98,505)	(2,694)
Investing activities		
Purchase of capital assets	(969)	(7,566)
Decrease (increase) in investments	74,587	(6,355)
	73,618	(13,921)
Change in cash during the year	(24,887)	(16,615)
Cash - Beginning of year	129,440	146,055
Cash - End of year	104,553	129,440

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, 2018

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.

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, 2018

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 12).

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, 2018

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 14.

3 Correction of error

During the year, the organization determined that there were certain errors related to deferred contributions - capital assets as at March 31, 2017, as well as accumulated net assets as at April 1, 2016. The organization previously recorded certain donations received as deferred contributions as they were thought to be restricted for capital asset purchases. It was determined that this was not the case and as a result, deferred contributions - capital assets were decreased by \$56,165 as at March 31, 2017 and accumulated net assets as at April 1, 2016 were increased by \$56,165.

	Deferred contributions - capital assets \$	2017 Accumulated net assets - beginning of year \$
As previously stated	56,165	449,069
Correction of error	(56,165)	56,165
As restated	-	505,234

4 Investments

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.

Big Brothers Big Sisters of London and Area

Notes to Financial Statements

March 31, 2018

5 Grants receivable

The organization has been approved for the following grants of which the corresponding amounts have been recorded within deferred contributions, and are restricted in use (note 8):

	2018 \$	2017 \$
OTF grant	-	7,500
City of London	76,500	127,500
Other grants	34,085	-
	<hr/>	<hr/>
	110,585	135,000
Less: Current portion	<hr/>	<hr/>
	(85,085)	(58,500)
Long-term grants receivable	<hr/>	<hr/>
	25,500	76,500

6 Capital assets

	<hr/> 2018		
	Cost \$	Accumulated amortization \$	Net \$
Furniture and equipment	116,184	113,433	2,751
Computer hardware	95,290	90,627	4,663
	<hr/>	<hr/>	<hr/>
	211,474	204,060	7,414
	<hr/> 2017		
	Cost \$	Accumulated amortization \$	Net \$
Furniture and equipment	115,999	111,655	4,344
Computer hardware	94,506	87,842	6,664
	<hr/>	<hr/>	<hr/>
	210,505	199,497	11,008

7 Government remittances payable

At March 31, 2018, the organization has outstanding government remittances payable including amounts for federal and provincial sales taxes, payroll taxes and health taxes and workers' safety insurance premiums of \$16,925 (2017 - \$17,650). None of these remittances are in arrears.

Big Brothers Big Sisters of London and Area

Notes to Financial Statements

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8 Deferred contributions

Deferred contributions relate to expenses of future periods and represent unspent externally restricted grants and donations.

	2018 \$	2017 \$
Balance - Beginning of year	172,737	149,832
Add (deduct):		
Amount recognized as revenue during the year	(93,505)	(139,600)
Amount received during the year	13,975	162,505
Balance - End of year	<u>93,207</u>	<u>172,737</u>

9 Economic dependence

Donation revenue from the United Way accounts for 44% (2017 - 39%) of all revenues of the organization.

10 Fundraising events and stewardship

	<u>2018</u>		<u>2017</u>	
	Revenues \$	Expenditures \$	Net \$	Net \$
Gala evening	105,342	32,772	72,570	129,718
Golf tournament	23,583	4,615	18,968	24,181
Bowl for Kids' Sake	31,757	1,880	29,877	-
Volunteer recognition	-	2,188	(2,188)	(3,799)
Other	-	37,065	(37,065)	(30,731)
	<u>160,682</u>	<u>78,520</u>	<u>82,162</u>	<u>119,369</u>

Included in other receivables is \$10,540 (2017 - \$27,634) relating to gala evening revenues.

Big Brothers Big Sisters of London and Area

Notes to Financial Statements

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11 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, 2019	72,199
Year ending March 31, 2020	12,033

12 Big Brothers Big Sisters of London and Area endowment fund

A permanent charitable endowment fund has been created within the London Community Foundation. Interest and dividend income earned by Big Brothers Big Sisters of London and Area endowment fund (the fund) shall be paid on an annual basis no later than April 30th 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 30th 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:

	2018 \$	2017 \$
Balance - Beginning of year	246,156	239,154
Add (deduct):		
Investment gains	16,664	27,095
Donations	50,000	-
Disbursement to the organization	-	(17,600)
Administrative fees	(2,678)	(2,493)
Balance - End of year	<u>310,142</u>	<u>246,156</u>

Big Brothers Big Sisters of London and Area

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13 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 unrestricted funds.

14 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.

15 Comparative figures

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