

Big Brothers Big Sisters of London and Area

Financial Statements
March 31, 2019



Independent auditor's report

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

Our qualified opinion

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Big Brothers Big Sisters of London and Area (the Organization) as at March 31, 2019 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.

What we have audited

The Organization's financial statements comprise:

- the statement of financial position as at March 31, 2019;
- the statement of changes in accumulated net assets for the year then ended;
- the statement of revenues and expenditures for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for qualified opinion

In common with many not-for-profit 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, 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, excess (deficiency) of revenues over expenditures and cash flows for the years ended March 31, 2019 and 2018, current assets as at March 31, 2019 and 2018 and accumulated net assets as at the beginning and the end of the years ended March 31, 2019 and 2018. Our audit opinion on the financial statements for the year ended March 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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Independence

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Ontario
September 27, 2019

Big Brothers Big Sisters of London and Area

Statement of Financial Position

As at March 31, 2019

| | Capital fund \$ | Operating fund \$ | 2019 \$ | 2018 \$ (restated – note 3) |
|---|-----------------------|-------------------------|------------|--------------------------------------|
| Assets | | | | |
| Current assets | | | | |
| Cash | 2,980 | 176,611 | 179,591 | 104,553 |
| Investments (note 4) | 370,026 | - | 370,026 | 365,565 |
| Other receivables (note 10) | - | 20,587 | 20,587 | 20,843 |
| Grants receivable (note 5) | - | 60,900 | 60,900 | 85,085 |
| Prepaid expenses | - | - | - | 8,618 |
| | 373,006 | 258,098 | 631,104 | 584,664 |
| Long-term grants receivable (note 5) | - | - | - | 25,500 |
| Capital assets (note 6) | 4,142 | - | 4,142 | 7,414 |
| | 377,148 | 258,098 | 635,246 | 617,578 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities (note 7) | - | 72,644 | 72,644 | 77,056 |
| Deferred contributions (note 8) | - | 42,620 | 42,620 | 124,334 |
| | - | 115,264 | 115,264 | 201,390 |
| Accumulated Net Assets | 377,148 | 142,834 | 519,982 | 416,188 |
| | 377,148 | 258,098 | 635,246 | 617,578 |
| 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, 2019

| | Capital fund \$ | Operating fund \$ | 2019 \$ | 2018 \$ (restated – note 3) |
|---|-----------------------|-------------------------|----------------|--------------------------------------|
| Balance – Beginning of year | 375,901 | 40,287 | 416,188 | 510,152 |
| Excess (deficiency) of revenues over expenditures | (367) | 104,161 | 103,794 | (93,964) |
| Inter-fund transfers | 1,614 | (1,614) | - | - |
| Balance – End of year | <u>377,148</u> | <u>142,834</u> | <u>519,982</u> | <u>416,188</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, 2019

| | Capital fund \$ | Operating fund \$ | 2019 \$ | 2018 \$ (restated – note 3) |
|--|-----------------------|-------------------------|------------------|--------------------------------------|
| Revenues | | | | |
| United Way (note 9) | - | 424,000 | 424,000 | 418,750 |
| Fundraising events (note 10) | - | 189,097 | 189,097 | 160,682 |
| Donations, grants and other | - | 313,489 | 313,489 | 239,619 |
| Amortization of deferred contributions (note 8) | - | 83,352 | 83,352 | 123,698 |
| Interest and other income | 4,519 | 11,613 | 16,132 | 14,041 |
| | <u>4,519</u> | <u>1,021,551</u> | <u>1,026,070</u> | <u>956,790</u> |
| Expenditures | | | | |
| General and administrative | - | 304,029 | 304,029 | 338,434 |
| Fundraising events and stewardship (note 10) | - | 68,442 | 68,442 | 78,520 |
| Children's programs and services | - | 506,693 | 506,693 | 594,182 |
| Membership fees | - | 14,865 | 14,865 | 14,987 |
| Professional services | - | 17,753 | 17,753 | 9,712 |
| Training and development | - | 5,608 | 5,608 | 10,356 |
| Amortization of capital assets | 4,886 | - | 4,886 | 4,563 |
| | <u>4,886</u> | <u>917,390</u> | <u>922,276</u> | <u>1,050,754</u> |
| Excess (deficiency) of revenues over expenditures | <u>(367)</u> | <u>104,161</u> | <u>103,794</u> | <u>(93,964)</u> |

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, 2019

| | 2019 | 2018 |
|---|----------|-----------|
| | \$ | \$ |
| Cash provided by (used in) | | |
| Operating activities | | |
| Excess (deficiency) of revenues over expenditures | 103,794 | (93,964) |
| Items not affecting cash | | |
| Amortization of capital assets | 4,886 | 4,563 |
| Amortization of deferred contributions | (83,352) | (123,698) |
| | 25,328 | (213,099) |
| Changes in non-cash working capital items | | |
| Other receivables | 256 | 28,518 |
| Grants receivable | 49,685 | 24,415 |
| Prepaid expenses | 8,618 | 7,846 |
| Accounts payable and accrued liabilities | (4,412) | 8,713 |
| Deferred contributions received | 1,638 | 45,102 |
| | 81,113 | (98,505) |
| Investing activities | | |
| Purchase of capital assets | (1,614) | (969) |
| (Increase) decrease in investments | (4,461) | 74,587 |
| | (6,075) | 73,618 |
| Change in cash during the year | 75,038 | (24,887) |
| Cash – Beginning of year | 104,553 | 129,440 |
| Cash – End of year | 179,591 | 104,553 |

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, 2019

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, 2019

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, 2019

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 errors related to deferred contributions – operating fund as at March 31, 2018, accumulated net assets as at April 1, 2017, as well as donations, grants and other revenues and amortization of deferred contributions for the year ended March 31, 2018. As a result, deferred contributions – operating fund were increased by \$31,127 as at March 31, 2018, accumulated net assets as at April 1, 2017 were decreased by \$36,266, donations, grants and other revenues were decreased by \$31,127 and amortization of deferred contributions were increased by \$36,266.

| | 2018 | | | |
|----------------------|---|--|---|--|
| | Deferred contributions – operating fund \$ | Accumulated net assets – beginning of year \$ | Donations, grants and other \$ | Amortization of deferred contributions \$ |
| As previously stated | 93,207 | 540,345 | 270,746 | 93,505 |
| Correction of error | 31,127 | (30,193) | (31,127) | 30,193 |
| As restated | <u>124,334</u> | <u>510,152</u> | <u>239,619</u> | <u>123,698</u> |

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, 2019

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):

| | 2019 \$ | 2018 \$ |
|-----------------------------|----------------|----------------|
| City of London | 51,000 | 76,500 |
| Other grants | 9,900 | 34,085 |
| | <hr/> 60,900 | <hr/> 110,585 |
| Less: Current portion | <hr/> (60,900) | <hr/> (85,085) |
| Long-term grants receivable | <hr/> - | <hr/> 25,500 |

6 Capital assets

| | <hr/> 2019 | | |
|-------------------------|---------------|-----------------------------------|-------------|
| | Cost \$ | Accumulated amortization \$ | Net \$ |
| Furniture and equipment | 117,798 | 115,535 | 2,263 |
| Computer hardware | 95,290 | 93,411 | 1,879 |
| | <hr/> 213,088 | <hr/> 208,946 | <hr/> 4,142 |
| | <hr/> 2018 | | |
| | Cost \$ | Accumulated amortization \$ | Net \$ |
| Furniture and equipment | 116,184 | 113,433 | 2,751 |
| Computer hardware | 95,290 | 90,627 | 4,663 |
| | <hr/> 211,474 | <hr/> 204,060 | <hr/> 7,414 |

7 Government remittances payable

At March 31, 2019, 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 \$12,711 (2018 – \$16,925). None of these remittances are in arrears.

Big Brothers Big Sisters of London and Area

Notes to Financial Statements

March 31, 2019

8 Deferred contributions

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

| | 2019 \$ | 2018 \$ |
|--|---------------|----------------|
| Balance – Beginning of year | 124,334 | 202,930 |
| Add (deduct): | | |
| Amount recognized as revenue during the year | (83,352) | (123,698) |
| Amount received during the year | 1,638 | 45,102 |
| Balance – End of year | <u>42,620</u> | <u>124,334</u> |

9 Economic dependence

Donation revenue from the United Way accounts for 41% (2018 – 44%) of all revenues of the Organization.

10 Fundraising events and stewardship

| | <u>2019</u> | | | <u>2018</u> |
|-----------------------|----------------|--------------------|----------------|---------------|
| | Revenues \$ | Expenditures \$ | Net \$ | Net \$ |
| Gala evening | 129,594 | 39,503 | 90,091 | 72,570 |
| Golf tournament | 24,130 | 5,073 | 19,057 | 18,968 |
| Bowl for Kids' Sake | 35,373 | 2,909 | 32,464 | 29,877 |
| Volunteer recognition | - | 1,188 | (1,188) | (2,188) |
| Other | - | 19,769 | (19,769) | (37,065) |
| | <u>189,097</u> | <u>68,442</u> | <u>120,655</u> | <u>82,162</u> |

Included in other receivables is \$9,920 (2018 – \$10,540) relating to gala evening revenues.

Big Brothers Big Sisters of London and Area

Notes to Financial Statements

March 31, 2019

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 has the option to cancel within six months notice. As at March 31, 2019, no notice of cancelation has been provided. Future lease commitments are as follows:

| | |
|----------------------------|--------|
| | \$ |
| Year ending March 31, 2020 | 36,100 |

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. The balance of the fund and its related changes, which are not reflected in these financial statements, are as follows:

| | 2019 | 2018 |
|------------------------------------|----------------|----------------|
| | \$ | \$ |
| Balance – Beginning of year | 310,756 | 246,156 |
| Add (deduct): | | |
| Investment gains | 9,671 | 17,395 |
| Donations | - | 50,000 |
| Disbursement to the Organization | (7,900) | - |
| Administrative fees | (3,141) | (2,795) |
| Balance – End of year | <u>309,386</u> | <u>310,756</u> |

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.

Big Brothers Big Sisters of London and Area

Notes to Financial Statements

March 31, 2019

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 operations. 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.