

BIG BROTHERS BIG SISTERS OF WINNIPEG INC.

FINANCIAL STATEMENTS

MARCH 31, 2018



CHARTERED PROFESSIONAL ACCOUNTANTS

June 18, 2018

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Big Brothers Big Sisters of Winnipeg Inc.

We have audited the accompanying financial statements of Big Brothers Big Sisters of Winnipeg Inc., which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and 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 Association'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 Association'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.

Basis for Qualified Opinion

In common with many charitable organizations, Big Brothers Big Sisters of Winnipeg Inc. derives part of its revenue from the public in the form of other contributions, donations and fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of Big Brothers Big Sisters of Winnipeg Inc. Therefore, we were not able to determine whether any adjustments might be necessary to other contributions, donations and fundraising revenue, difference between revenue and expenses and cash flows from operations for the years ended March 31, 2018 and 2017, current assets as at March 31, 2018 and 2017, and net assets as at April 1, 2017 and 2016 and March 31, 2018 and 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 Winnipeg Inc. 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.

Restated Comparative Information

Without modifying our opinion, we draw your attention to Note 13 to the financial statements, which explains that certain comparative information for the year ended March 31, 2017 has been restated.

Scarrow & Donald LLP

Chartered Professional Accountants
Winnipeg, Canada

For this communication, together with the work done to prepare this communication and for the opinions we have formed, if any, we accept and assume responsibility only to the addressee of this communication, as specified in our letter of engagement.

BIG BROTHERS BIG SISTERS OF WINNIPEG INC.

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31

	<u>2018</u>	<u>2017</u> (as restated)
ASSETS		
Current assets:		
Cash	\$ 198,509	\$ 100,656
Short-term investments (Note 3)	-	106,538
Accounts receivable	64,716	71,563
Inventory	414	853
Prepaid expenses	<u>23,017</u>	<u>39,719</u>
	286,656	319,329
Capital assets (Note 4)	<u>2,075,334</u>	<u>2,128,712</u>
	<u>\$ 2,361,990</u>	<u>\$ 2,448,041</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 67,272	\$ 62,923
Lines of credit (Note 6)	300,423	562,845
Current portion of mortgage payable (Note 7)	<u>35,448</u>	<u>15,787</u>
	403,143	641,555
Deferred contributions - capital assets (Note 8)	671,632	488,820
Deferred contributions - programs (Note 9)	71,210	21,210
Mortgage payable (Note 7)	<u>929,192</u>	<u>980,994</u>
	<u>2,075,177</u>	<u>2,132,579</u>
NET ASSETS		
Unappropriated fund:		
Invested in capital assets	138,639	80,266
Appropriated fund:		
Future operations	<u>148,174</u>	<u>235,196</u>
	<u>286,813</u>	<u>315,462</u>
	<u>\$ 2,361,990</u>	<u>\$ 2,448,041</u>

APPROVED BY THE BOARD:

_____ Director

_____ Director

BIG BROTHERS BIG SISTERS OF WINNIPEG INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31

	<u>2018</u>	<u>2017</u>
		(as restated)
Revenue:		
United Way of Winnipeg	\$ 277,390	\$ 257,240
Government of Manitoba	264,300	274,435
Foundation contributions	101,911	80,442
Other contributions, donations and fundraising	102,820	132,458
Big Smiles	639,000	630,366
Amortization of deferred revenue - capital assets	26,462	-
Amortization of deferred contributions - customer loan interest (Note 5)	-	401
Amortization of deferred program contributions (Note 9)	-	300
	<u>1,411,883</u>	<u>1,375,642</u>
Expenses:		
Advertising and promotion	3,918	11,989
Amortization of capital assets	51,820	10,249
Bank charges and interest	1,648	1,770
Big Smiles expenses	163,832	164,559
Big Smiles - wages and benefits	328,053	335,161
Board expenses	806	575
Caseworker expenses	748	748
Computer expense	8,409	4,434
Criminal record checks	58	-
Deferred program contributions - expenses	-	300
Dues, fees and memberships	18,195	18,135
Employee benefits	60,942	59,497
Equipment rental	8,262	7,954
Fundraising expenses	12,082	6,443
Insurance	28,296	25,997
Interest - long-term	42,862	-
Meetings and travel	7,813	10,229
Newsletter	397	661
Office supplies	8,789	7,986
Postage	2,274	3,261
Premises cleaning, parking and utilities	17,634	32,281
Professional fees	37,026	8,484
Property taxes	11,182	12,562
Recreation	10,638	12,259
Recruitment	1,660	964
Rent	-	81,162
Salaries	601,135	579,708
Staff development	225	1,073
Telephone	5,087	-
Volunteer recognition	1,852	578
	<u>1,435,643</u>	<u>1,399,019</u>
Difference between revenue and expenses before loss on disposal	(23,760)	(23,377)
Loss on disposal of capital assets	4,889	-
Difference between revenue and expenses	<u>\$ (28,649)</u>	<u>\$ (23,377)</u>

BIG BROTHERS BIG SISTERS OF WINNIPEG INC.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31

	<u>Unappropriated Fund</u>		<u>Appropriated Fund</u>	<u>2018 Total</u>	<u>2017 Total</u> (as restated)
	<u>Unrestricted</u>	<u>Invested in Capital Assets</u>	<u>Future Operations</u>		
Net assets, beginning of year	\$ -	\$ 80,266	\$ 235,196	\$ 315,462	\$ 338,839
Purchases of capital assets	(402,691)	402,691	-	-	-
Proceeds from sale of capital assets	399,360	(399,360)	-	-	-
Repayment on mortgage	(32,141)	32,141	-	-	-
Change in lines of credit	(262,422)	262,422	-	-	-
Deferred contributions received	209,274	(209,274)	-	-	-
Difference between revenue and expenses	1,598	(30,247)	-	(28,649)	(23,377)
Interfund transfer (Note 11)	87,022	-	(87,022)	-	-
Net assets, end of year	<u>\$ -</u>	<u>\$ 138,639</u>	<u>\$ 148,174</u>	<u>\$ 286,813</u>	<u>\$ 315,462</u>

BIG BROTHERS BIG SISTERS OF WINNIPEG INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31

	<u>2018</u>	<u>2017</u>
		(as restated)
Cash flow from operating activities:		
Difference between revenue and expenses	\$ (28,649)	\$ (23,377)
Items not affecting cash -		
Amortization of deferred contributions - programs	-	(300)
Amortization of deferred contributions - customer loan interest	-	(401)
Amortization of deferred contributions - capital assets	(26,462)	-
Amortization of capital assets	51,820	10,249
Loss on disposal of capital assets	4,889	-
Change in deferred contributions - programs	50,000	-
Change in deferred rent incentive	-	(1,509)
	<u>51,598</u>	<u>(15,338)</u>
Change in non-cash operating working capital items (Note 12)	<u>28,337</u>	<u>35,690</u>
	<u>79,935</u>	<u>20,352</u>
 Cash flow from investing activities:		
Purchase of capital assets	(402,691)	(2,108,538)
Proceeds on sale of capital assets	399,360	-
Receipt of deferred contributions - capital assets	209,274	265,712
Change in short-term investments	<u>106,538</u>	<u>(1,889)</u>
	<u>312,481</u>	<u>(1,844,715)</u>
 Cash flow from financing activities:		
Proceeds from mortgage	-	1,000,000
Mortgage repayments	(32,141)	(3,219)
Change in lines of credit	(262,422)	562,845
Customer loan repayments	-	(18,551)
	<u>(294,563)</u>	<u>1,541,075</u>
 Change in cash	97,853	(283,288)
 Cash, beginning of year	<u>100,656</u>	<u>383,944</u>
 Cash, end of year	<u>\$ 198,509</u>	<u>\$ 100,656</u>

BIG BROTHERS BIG SISTERS OF WINNIPEG INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

1. Nature of operations:

Big Brothers Big Sisters of Winnipeg Inc. (the Association) was incorporated under the laws of Manitoba as a corporation without share capital. The Association's mission is to provide children with mentors for friendship, support, and guidance. The Association is a registered charity and is exempt from income tax under paragraph 149(1)(f) of the Income Tax Act.

2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. An assumption underlying the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the Association will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

The financial statements include the following significant accounting policies:

a) Accounting estimates-

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

Accounting estimates are included in financial statements to approximate the effect of past transactions or events, or to approximate the present status of an asset or liability. It is possible that changes in future economic conditions could require changes in the recognized amounts for accounting estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they became known.

Significant areas of estimation by management include the impairment of non-financial assets, the useful lives of capital assets and the fair value of financial instruments.

Management bases their judgments, estimates and assumptions on factors they believe to be reasonable in the circumstances, but which may be inherently uncertain and unpredictable.

b) Financial instruments-

Financial instruments are measured at fair value on initial recognition adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Transaction costs related to financial instruments that will be measured subsequently at fair value are recognized in difference between revenue and expenses for the period incurred.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

2. Significant accounting policies (continued):

b) Financial instruments (continued)-

In subsequent periods, investments in equity instruments that are quoted in an active market and certain derivative contracts are measured at fair value without any adjustment for transaction costs that may incur on sale or other disposal. The Association may elect to measure any financial instrument at fair value when the asset or liability is first recognized or for equity instruments previously measured at fair value when the equity instrument ceases to be quoted in an active market. Other investments in equity instruments are measured at cost less any reduction for impairments. All other financial instruments are measured at amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative effect of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

The Association measures all its financial instruments measured at amortized cost.

The Association assesses impairment of all its financial assets, except those classified at fair value. Management considers whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset's carrying value and its fair value. Impairment is included in difference between revenue and expenses.

c) Revenue recognition-

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

Investment income on restricted contributions is recognized as revenue in the year in which the related expenses are incurred.

Revenue from Big Smiles, fundraising and other programs is recognized upon the delivery of goods and services and when collection can be reasonably assured.

d) Contributed services-

Contributed materials and services that would otherwise be paid for by the Association are recorded at fair value at the date of contribution.

Volunteers contribute time to assist the Association in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

e) Inventory-

Inventory is valued at the lower of cost and net realizable value and carried at the average cost of collection and storage of donated items. The cost of inventories comprise the purchase price, non-recoverable taxes, transport and handling costs directly attributable to the acquisition of inventories, net of any discounts or other rebates.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

2. Significant accounting policies (continued):

f) Capital assets-

Capital assets are recorded at cost and amortized over their estimated useful lives, except for donated assets which are recorded at fair market value at the time of the donation. This requires estimation of the useful life of the asset and its salvage and residual value. When a capital asset no longer has any long-term service potential, the excess of its net carrying amount over any residual value is recognized as an expense. As is true for all accounting estimates, it is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates.

Capital assets are amortized on straight-line basis at the following rates:

Building	40 years
Computer equipment	2 years
Office furniture and equipment	3 - 5 years

g) Net assets-

Net assets are reported by the Association through an Unappropriated Fund and an Appropriated Fund. The Unappropriated Fund accounts for the Association's program delivery and administrative activities and represents unrestricted net assets used for the day-to-day operations of the Association and funds invested in capital assets. The Appropriated Fund represents internally restricted funds to be used to support future operating expenses and for capital purposes. The internally restricted amount is not available for other purposes without the approval of the Board of Directors.

3. Short-term investments:

Short-term investments consisted of guaranteed investment certificates which matured December 2017 with an interest rate of 1.75%.

4. Capital assets:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Land	\$ 428,000	\$ -	\$ 828,000	\$ -
Building	1,621,713	36,278	1,280,538	-
Computer equipment	18,684	15,842	36,619	36,619
Office furniture and equipment	122,193	63,136	77,140	56,966
	<u>2,190,590</u>	<u>115,256</u>	<u>2,222,297</u>	<u>93,585</u>
Net book value	\$ <u>2,075,334</u>		\$ <u>2,128,712</u>	

During the year, the Association capitalized interest of \$12,817 (2017 - \$24,054), including \$9,513 (2017 - \$15,653) of mortgage interest, to building while the construction was ongoing. The Association put the building into use in July 2017.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

5. Customer loan:

During the year ended March 31, 2016, the Association received an interest free loan from its sole customer. The interest free loan was provided to fund the purchase of donation bins and was repayable in variable monthly instalments. The face value of the loan of \$30,516 was based on discounting the loan with an effective rate of 4.25% and a term of 16 months. The Association recorded a deferred contribution related to the interest on this loan of \$787 when the funds were received. During the year ended March 31, 2017, the loan was repaid.

6. Lines of credit:

The Association has a line of credit for operations in the amount of \$50,000 (2017 - \$50,000) of which \$nil was drawn at year end (2017 - \$nil). The line of credit bears interest at prime plus 1.55% (2017 - prime plus 1.55%) and is secured by a general security agreement. The operating line of credit is renewed on an annual basis at the discretion of the lender.

The Association has a line of credit for capital asset purchases in the amount of \$839,000 of which \$300,423 (2017 - \$562,845) was drawn at year end. The line of credit bears interest at prime plus 0.40% and is secured by a general security agreement. The operating line of credit is renewed on an annual basis at the discretion of the lender.

7. Mortgage:

	2018	2017
Mortgage on land and building, repayable in monthly instalments of \$5,950 representing principal and interest calculated at 3.79% due September 2021.	\$ 964,640	\$ 996,781
Less: Current portion of mortgage	(35,448)	(15,787)
	\$ 929,192	\$ 980,994

Principal payments are as follows:

2019	\$ 35,448
2020	36,722
2021	38,232
2022	854,238
	\$ 964,640

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

8. Deferred contributions - capital assets:

Deferred contributions - capital assets include the unamortized portions and the unspent amount of restricted contributions for the purchase of capital assets. The amortization of deferred contributions is recorded as revenue in the statement of operations over the useful life of the asset. Changes in the deferred contributions - capital assets balance are as follows:

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 488,820	\$ 110,500
Transfers from deferred contributions - programs	-	112,608
Contributions for capital assets	209,274	265,712
Amortization	<u>(26,462)</u>	<u>-</u>
Ending balance	<u>\$ 671,632</u>	<u>\$ 488,820</u>

9. Deferred contributions - programs:

Changes in the deferred contributions - programs are as follows:

	<u>Find Your Dreams</u>	<u>Irene Waddell</u>	<u>Mentoring Programs</u>	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 5,284	\$ 15,926	\$ -	\$ 21,210	\$ 134,118
Transfer to deferred contributions - capital assets	-	-	-	-	(112,608)
Contributions received	-	-	50,000	50,000	-
Amounts amortized to revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(300)</u>
Balance, end of year	<u>\$ 5,284</u>	<u>\$ 15,926</u>	<u>\$ 50,000</u>	<u>\$ 71,210</u>	<u>\$ 21,210</u>

The Find Your Dreams contribution was from the Climb for Kids fund-raising campaign. All funds raised for the Find Your Dream are specifically designated for Aboriginal children and youth to provide meaningful learning, growth and skill development opportunities as identified by Aboriginal children and their families.

The continuing bequest by the niece of Irene Waddell designates that the funds be used to benefit the physical, mental, and spiritual well-being of girls, as well as for the recruitment of Big Sister volunteers. Income from the investments may be distributed at the discretion of the Board.

A contribution for Mentoring programs is designated by the donor for the fiscal 2019 programming.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

10. Lease commitments:

The Association leases certain operational equipment under operating leases. Future annual minimum lease payments under these contracts are as follows:

2019	\$ 42,959
2020	3,426
2021	1,048
2022	1,048

11. Interfund transfers:

During the year, the Board of Directors authorized the transfer of \$87,022 to the Unrestricted Fund from the Appropriated Fund – Future operations.

During the prior year, the Board of Directors authorized the transfer of \$73,220 to the Unrestricted Fund and \$126,780 to the Appropriated Fund - future operations from the Appropriated Fund - capital assets.

12. Net change in non-cash working capital:

	2018	2017
Accounts receivable	\$ 6,847	\$ 20,419
Inventory	439	1,805
Deposit on new location	-	15,000
Prepaid expenses	16,702	(12,368)
Accounts payable	4,349	10,834
	\$ 28,337	\$ 35,690

13. Prior period restatement:

During the year ending March 31, 2015, the Association changed its vacation accrual policy. Previously, vacation had to be used by employees by the end of the fiscal year, whereas the change allows employees up until August 31 of each year to use up their vacation. The prior financial statements did not reflect that change in policy. As a result, the balance of net assets as at April 1, 2017 has been reduced by \$12,643 representing the cumulative amount by which earnings have been overstated.

Previous reported difference between revenue and expenses for the year ended March 31, 2017 was overstated by \$3,478 and has been restated as follows:

	As originally stated	Adjustment	Restated amount
Big Smiles - wages and benefits	\$ 333,395	\$ 1,766	\$ 335,161
Salaries	577,996	1,712	579,708
		\$ 3,478	

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

13. Prior period restatement (continued):

The following balance sheet accounts were restated at March 31, 2017:

	<u>As originally stated</u>	<u>Adjustment</u>	<u>Restated amount</u>
Accounts payable and accrued liabilities	\$ 50,280	\$ 12,643	\$ 62,923

Earnings for the years prior to April 1, 2016 were overstated by \$9,165, and the net assets at that date have been adjusted accordingly.

Certain comparative information has been reclassified to conform to current period presentation.

14. Contingencies:

A claim for \$325,384 plus interest has been made against the Association by the building renovation contractor which the Association is defending. It is not possible to reasonably estimate the maximum amount that may have to be paid under such claim. The amount is dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. No amount has been accrued in the statement of financial position relating to this claim as at March 31, 2018.

15. Risk management:

Management's risk management policies are typically performed as a part of the overall management of the Association's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Association is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. The Association has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Association, management considers the avoidance of undue concentrations of risk. These risks include, and the actions taken to manage them, are as follows:

Liquidity risk-

Liquidity risk is the risk that the Association cannot meet its financial obligations associated with financial liabilities in full. The Association's main sources of liquidity are its operations and external contributions. The funds are primarily used to finance working capital and capital expenditure requirements and are adequate to meet the Association's financial obligations associated with financial liabilities.

Interest rate risk-

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as interest rate cash flow risk, or on the fair value of other financial assets or liabilities, known as interest rate price risk. Investing in fixed rate marketable securities with longer durations and obtaining a fixed rate mortgage minimizes interest rate price risk. Obtaining lines of credit with variable interest rates minimizes cash flow risk.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

15. Risk management (continued):

Credit risk-

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Association has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Association also may review credit history before establishing credit and reviews credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information. No allowance for doubtful accounts has been recorded.