# BIG BROTHERS BIG SISTERS OF WINNIPEG INC.

## FINANCIAL STATEMENTS

## MARCH 31, 2016

June 25, 2016

## 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, 2016, 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 year ended March 31, 2016 and 2015, current assets as at March 31, 2016 and 2015, and net assets as at April 1, 2015 and 2014 and March 31, 2016 and 2015. Our audit opinion on the financial statements for the year ended March 31, 2015 was modified accordingly because of the possible effects of this limitation in scope.

*Qualified Opinion*
In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Big Brothers Big Sisters of Winnipeg Inc. as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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

| | March 31 2016 | March 31 2015 |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash (Note 3) | $ 383,944 | $ 314,315 |
| Short-term investments (Note 4) | 104,649 | 102,518 |
| Accounts receivable | 91,982 | 87,216 |
| Inventory | 2,658 | 4,091 |
| Deposit on new location (Note 14) | 15,000 | - |
| Prepaid expenses (Note 14) | 27,351 | 3,947 |
| | 625,584 | 512,087 |
| **Capital assets** (Note 5) | 30,423 | 3,943 |
| | $ 656,007 | $ 516,030 |
| **LIABILITIES** | | |
| **Current liabilities:** | | |
| Accounts payable | $ 42,924 | $ 88,736 |
| Customer loan (Note 6) | 18,551 | - |
| | 61,475 | 88,736 |
| **Deferred contributions** - customer loan interest (Note 6) | 401 | - |
| **Deferred rent incentive** (Note 7) | 1,509 | 2,263 |
| **Deferred contributions** - capital assets (Note 8) | 110,500 | - |
| **Deferred contributions** - programs (Note 9) | 134,118 | 135,248 |
| | 308,003 | 226,247 |
| **NET ASSETS** | | |
| **Unappropriated fund:** | | |
| Invested in capital assets | 30,423 | 3,943 |
| **Appropriated fund:** | | |
| Future operations | 117,581 | 285,108 |
| Capital assets | 200,000 | 732 |
| | 317,581 | 285,840 |
| | 348,004 | 289,783 |
| | $ 656,007 | $ 516,030 |

APPROVED BY THE BOARD:

Ian Coupland, Board Chair Director

Director

## BIG BROTHERS BIG SISTERS OF WINNIPEG INC.

### STATEMENT OF OPERATIONS

| | Year ended March 31 2016 | 2015 |
|---|---|---|
| **Revenue:** | | |
| United Way of Winnipeg | $ 257,090 | $ 259,835 |
| Government of Manitoba | 287,800 | 293,100 |
| Foundation contributions | 160,097 | 74,577 |
| Other contributions, donations and fundraising | 113,748 | 140,248 |
| Big Smiles | 661,176 | 620,345 |
| Amortization of deferred contributions - customer loan interest (Note 6) | 386 | - |
| Amortization of deferred contributions - capital assets (Note 8) | - | 6,500 |
| Amortization of deferred program contributions (Note 9) | 1,130 | 3,500 |
| | 1,481,427 | 1,398,105 |
| **Expenses:** | | |
| Advertising and publicity | 7,599 | 15,020 |
| Amortization of capital assets | 10,106 | 10,634 |
| Bank charges and interest | 1,024 | 1,021 |
| Big Smiles expenses | 490,816 | 494,656 |
| Board expenses | 774 | 563 |
| Caseworker expenses | 1,681 | 1,521 |
| Computer expense | 5,519 | 6,083 |
| Criminal records checks | 44 | 305 |
| Deferred program contributions - expenses | 810 | 500 |
| Dues and memberships | 16,289 | 16,599 |
| Employee benefits | 66,725 | 67,098 |
| Equipment rental | 6,959 | 7,689 |
| Fundraising expenses | 8,197 | 18,308 |
| Insurance | 30,534 | 21,047 |
| Meetings and travel | 14,808 | 7,440 |
| Newsletter | 796 | 675 |
| Office supplies | 7,098 | 7,256 |
| Postage | 2,950 | 3,502 |
| Premises cleaning, parking and utilities | 23,505 | 24,397 |
| Professional fees | 16,877 | 10,247 |
| Recreation | 24,706 | 16,810 |
| Recruitment | 3,452 | 5,345 |
| Rent | 76,531 | 79,409 |
| Salaries | 599,305 | 568,871 |
| Staff development | 1,973 | 2,132 |
| Telephone | 3,346 | 4,009 |
| Volunteer recognition | 782 | 2,175 |
| | 1,423,206 | 1,393,312 |
| **Difference between revenue and expenses** | $ 58,221 | $ 4,793 |

BIG BROTHERS BIG SISTERS OF WINNIPEG INC.

STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31

| | Unappropriated Fund | | Appropriated Fund | | | |
|---|---|---|---|---|---|---|
| | Unrestricted | Invested in Capital Assets | Future Operations | Capital Assets | 2016 Total | 2015 Total |
| Net assets, beginning of year | $ - | $ 3,943 | $ 285,108 | $ 732 | $ 289,783 | $ 284,990 |
| Difference between revenue and expenses | 68,327 | (10,106) | - | - | 58,221 | 4,793 |
| Purchase of capital assets | (35,854) | 36,586 | - | (732) | - | - |
| Interfund transfer (Note 11) | (32,473) | - | (167,527) | 200,000 | - | - |
| Net assets, end of year | $ - | $ 30,423 | $ 117,581 | $ 200,000 | $ 348,004 | $ 289,783 |

# BIG BROTHERS BIG SISTERS OF WINNIPEG INC.

## STATEMENT OF CASH FLOWS

| | Year ended March 31 2016 | 2015 |
|---|---|---|
| **Cash flow from operating activities:** | | |
| Difference between revenue and expenses | $ 58,221 | $ 4,793 |
| Receipt of deferred contribution - program | - | 320 |
| Items not affecting cash- | | |
| Amortization of deferred program contributions | (1,130) | (3,500) |
| Amortization of deferred contributions - capital assets | - | (6,500) |
| Amortization of deferred contributions - customer loan interest | (386) | - |
| Amortization of capital assets | 10,106 | 10,634 |
| Change in deferred rent incentive | (754) | (336) |
| | 66,057 | 5,411 |
| Changes in non-cash operating working capital items (Note 12) | (72,549) | (51,638) |
| | (6,492) | (46,227) |
| **Cash flow from investing activities:** | | |
| Purchase of capital assets | (36,586) | (853) |
| Receipt of deferred contributions for capital assets | 110,500 | - |
| Deposit on new location | (15,000) | - |
| Interest income on deferred contribution investments | - | 3,372 |
| Change in short-term investments | (2,131) | 81,697 |
| | 56,783 | 84,216 |
| **Cash flow from financing activities:** | | |
| Proceeds from customer loan | 30,516 | - |
| Customer loan repayments | (11,178) | - |
| | 19,338 | - |
| **Change in cash** | 69,629 | 37,989 |
| **Cash, beginning of year** | 314,315 | 276,326 |
| **Cash, end of year** (Note 3) | $ 383,944 | $ 314,315 |
| **Interest received** | $ 2,191 | $ 1,009 |

## 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.

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.

2. **Significant accounting policies** (continued):

b) Financial instruments (continued)-

The Association has no financial instruments measured at fair value. The Association measures cash, short-term investments, accounts receivable, deposit on new location, accounts payable and customer loan 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 Foundation 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.

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:

| | |
|---|---|
| Computer equipment | 2 years |
| Office furniture and equipment | 3 - 5 years |

Leasehold improvements are amortized on a straight-line basis over the term of the lease.

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. **Cash:**

At year end, the Association had a line of credit for operations in the amount of $50,000 (2015 - $50,000) of which $nil was drawn at year end (2015 - $nil). The line of credit bears interest at prime plus 1.55% (2015 - prime plus 1.55%) and is secured by a general security agreement. The operating line of credit is renewed on an annual basis.

4. **Short-term investments:**

Short-term investments consists of guaranteed investment certificates maturing December 2016 (2015 - December 2015) with an interest rate of 1.90% (2015 - 2.15%).

## 5. Capital assets:

| | 2016 Cost | 2016 Accumulated Amortization | 2015 Cost | 2015 Accumulated Amortization |
|---|---|---|---|---|
| Computer equipment | $ 42,689 | $ 37,013 | $ 36,619 | $ 35,979 |
| Office furniture and equipment | 71,070 | 46,323 | 40,554 | 37,251 |
| Leasehold improvements | 42,836 | 42,836 | 42,836 | 42,836 |
| | $ 156,595 | $ 126,172 | $ 120,009 | $ 116,066 |
| Net book value | $30,423 | | $3,943 | |

## 6. Customer loan:

During the year, the Association received an interest free loan from its sole customer. The interest free loan was provided to fund the purchase of donation bins. The loan is repayable in variable monthly installments. The face value of the loan of $30,516 is 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, the Association recognized a contribution related to the imputed interest on this loan of $386.

## 7. Deferred rent incentive:

The Association has recognized a deferred rent incentive of $1,509 (2015 - $2,263), which is adjusted each period to correspond to the average rent each year over the term of the lease.

## 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. Changes in the deferred contributions - capital assets balance are as follows:

| | 2016 | 2015 |
|---|---|---|
| Balance, beginning of year | $ - | $ 6,500 |
| Contributions for a new location received | 110,500 | - |
| Amounts amortized to revenue | - | (6,500) |
| Balance, end of year | $ 110,500 | $ - |

## 9. Deferred contributions - programs:

Changes in the deferred contributions - programs are as follows:

| | Borger | Eva Burwash | Irene Waddell | Find Your Dreams | Jumpstart | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| Balance, beginning of year | $ 20,681 | $ 91,927 | $ 15,926 | $ 6,394 | $ 320 | $ 135,248 | $ 135,056 |
| Interest earned on related assets | - | - | - | - | - | - | 3,372 |
| New contributions | - | - | - | - | - | - | 320 |
| Amounts amortized to revenue | - | - | - | (810) | (320) | (1,130) | (3,500) |
| Balance, end of year | $ 20,681 | $ 91,927 | $ 15,926 | $ 5,584 | $ - | $ 134,118 | $ 135,248 |

The principal balance of the Borger contribution is designated to be used in recreational activities at the discretion of the Board.

The principal balance of the Eva Burwash contribution is designated by the donor for the use of the Association. Expenditures of the principal are determined at the discretion of the Board. Income from the investments may be distributed at the discretion of the Board.

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.

The Find Your Dreams Fund was created from the Climb for Kids fund-raising campaign. All funds raised for the Find Your Dreams Fund 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.

Jumpstart funds are received by the Association, and subsequently used to support kids to participate in sports.

## 10. Lease commitments:

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

| | |
|---|---|
| 2017 | $ 89,747 |
| 2018 | 10,839 |
| 2019 | 662 |
| 2020 | 442 |

## 11. Interfund transfers:

At fiscal year end, the Board of Directors authorized the transfer of $32,473 from the Unappropriated Fund to the Appropriated Fund to fund capital assets (2015 - $nil) and authorized the transfer of $167,527 from the Appropriated Fund to fund future operations to the Appropriated Fund to fund capital assets (2015 - $nil).

At fiscal year end, the Board of Directors authorized the transfer of $nil from the Unappropriated Fund to the Appropriated Fund to fund future operations (2015 - $8,927).

## 12. Net change in non-cash working capital:

| | 2016 | 2015 |
|---|---|---|
| Accounts receivable | $ (4,766) | $ (30,372) |
| Inventory | 1,433 | 1,079 |
| Prepaid expenses | (23,404) | 2,622 |
| Accounts payable | (45,812) | (11,487) |
| Prepaid event sales | - | (13,480) |
| | $ (72,549) | $ (51,638) |

## 13. 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 minimizes cash flow risk.

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.

## 14. Subsequent event:

On May 18, 2016, the Board of Big Brothers Big Sisters of Winnipeg Inc. approved the acquisition of land and building to house their operations. Subject to financing and other conditions, Big Brothers Big Sisters of Winnipeg Inc. expects to take possession of their new location (land and building) on September 1, 2016.

Prior to March 31, 2016, Big Brothers Big Sisters of Winnipeg Inc. made a refundable deposit of $15,000 (2015 - $nil) on the acquisition of the property, and incurred acquisition costs of $2,110 (2015 - $nil) that are recorded as prepaid expenses. On May 18, 2016, a further refundable deposit of $100,000 was made to their realtor in trust toward the purchase of the new location. Upon the closing of the transaction, these amounts will be included in the cost of the land and building.