

BIG BROTHERS BIG SISTERS OF WINNIPEG INC.

FINANCIAL STATEMENTS

MARCH 31, 2020

June 15, 2020

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Big Brothers Big Sisters of Winnipeg Inc. (the Organization), which comprise the statement of financial position as at March 31, 2020, and the statement of operations, statement of changes in net assets and statement of cash flows the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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 are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 the 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.

Other information

Management is responsible for the other information. The other information comprises the annual report which does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 controls.
- 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.

Scarrow & Donald LLP

Chartered Professional Accountants
Winnipeg, Canada

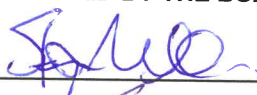

BIG BROTHERS BIG SISTERS OF WINNIPEG INC.

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash	\$ 228,839	\$ 191,606
Accounts receivable (Note 3)	69,484	68,988
Inventory	6,071	203
Prepaid expenses	<u>25,252</u>	<u>25,711</u>
	329,646	286,508
Capital assets (Note 4)	<u>2,000,730</u>	<u>2,043,194</u>
	<u>\$ 2,330,376</u>	<u>\$ 2,329,702</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 86,460	\$ 62,744
Government remittances payable	91	210
Lines of credit (Note 5)	192,548	246,239
Prepaid event sales	-	5,142
Current portion of mortgage payable (Note 6)	<u>19,627</u>	<u>36,708</u>
	298,726	351,043
Deferred contributions - capital assets (Note 7)	745,572	719,897
Deferred contributions - programs (Note 8)	56,389	66,058
Mortgage payable (Note 6)	<u>873,988</u>	<u>892,844</u>
	<u>1,974,675</u>	<u>2,029,842</u>
NET ASSETS		
Unappropriated fund:		
Invested in capital assets	168,995	147,506
Appropriated fund:		
Future operations	<u>186,706</u>	<u>152,354</u>
	<u>355,701</u>	<u>299,860</u>
Subsequent event (Note 14)	<u>\$ 2,330,376</u>	<u>\$ 2,329,702</u>

APPROVED BY THE BOARD:


 _____ Director

 _____ Director

BIG BROTHERS BIG SISTERS OF WINNIPEG INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31

	<u>2020</u>	<u>2019</u>
Revenue:		
United Way of Winnipeg	\$ 340,406	\$ 304,682
Government of Canada	5,434	2,226
Government of Manitoba	264,300	264,300
Foundation contributions	99,027	91,008
Other contributions, donations and fundraising	142,123	128,093
Big Smiles	630,980	716,609
Amortization of deferred revenue - capital assets	35,380	34,929
	<u>1,517,650</u>	<u>1,541,847</u>
Expenses:		
Advertising and promotion	41,065	15,443
Amortization of capital assets	65,231	66,000
Bank charges and interest	1,149	1,508
Big Smiles	190,314	202,147
Big Smiles - wages and benefits	274,969	292,777
Board expenses	2,214	918
Caseworkers	2,148	1,563
Computer	7,429	7,022
Criminal records checks	177	-
Dues, fees and memberships	19,395	19,417
Employee benefits	61,742	67,420
Equipment rental	7,572	6,693
Fundraising	8,439	6,387
Insurance	36,574	31,963
Interest - long-term	43,856	49,240
Meetings and travel	5,520	3,697
Newsletter	286	405
Office supplies	8,734	6,869
Postage	2,960	2,443
Premises cleaning, parking and utilities	21,650	32,313
Professional fees	15,691	61,280
Property taxes	10,431	10,123
Recreation	24,119	15,515
Recruitment	2,212	1,739
Salaries	590,284	615,721
Staff development	828	2,974
Telephone	5,391	5,142
Vehicle	1,644	-
Volunteer recognition	9,785	2,181
	<u>1,461,809</u>	<u>1,528,900</u>
Difference between revenue and expenses before gain on disposal of capital assets	55,841	12,947
Gain on disposal of capital assets	-	100
Difference between revenue and expenses	<u>\$ 55,841</u>	<u>\$ 13,047</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</u>	<u>2020 Total</u>	<u>2019 Total</u>
	<u>Unrestricted</u>	<u>Invested in capital assets</u>	<u>Fund Future operations</u>		
Net assets, beginning of year	\$ -	\$ 147,506	\$ 152,354	\$ 299,860	\$ 286,813
Purchases of capital assets	(22,767)	22,767	-	-	-
Repayment on mortgage	(35,937)	35,937	-	-	-
Change in lines of credit	(53,691)	53,691	-	-	-
Deferred contributions received	61,055	(61,055)	-	-	-
Difference between revenue and expenses	85,692	(29,851)	-	55,841	13,047
Interfund transfer (Note 10)	(34,352)	-	34,352	-	-
Net assets, end of year	<u>\$ -</u>	<u>\$ 168,995</u>	<u>\$ 186,706</u>	<u>\$ 355,701</u>	<u>\$ 299,860</u>

BIG BROTHERS BIG SISTERS OF WINNIPEG INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31

	<u>2020</u>	<u>2019</u>
Cash flow from operating activities:		
Difference between revenue and expenses	\$ 55,841	\$ 13,047
Items not affecting cash -		
Amortization of deferred contributions - capital assets (Note 7)	(35,380)	(34,929)
Amortization of deferred contributions - programs (Note 8)	(28,737)	(50,000)
Amortization of capital assets	65,231	66,000
Gain on disposal of capital assets	-	(100)
Receipt of deferred contributions - programs (Note 8)	19,068	44,848
	<u>76,023</u>	<u>38,866</u>
Change in non-cash operating working capital items (Note 11)	12,550	(5,931)
	<u>88,573</u>	<u>32,935</u>
Cash flow from investing activities:		
Purchase of capital assets	(22,767)	(33,860)
Proceeds on sale of capital assets	-	100
Receipt of deferred contributions - capital assets (Note 7)	61,055	83,194
	<u>38,288</u>	<u>49,434</u>
Cash flow from financing activities:		
Mortgage repayments	(35,937)	(35,088)
Change in lines of credit	(53,691)	(54,184)
	<u>(89,628)</u>	<u>(89,272)</u>
Change in cash	37,233	(6,903)
Cash, beginning of year	<u>191,606</u>	<u>198,509</u>
Cash, end of year	<u>\$ 228,839</u>	<u>\$ 191,606</u>

BIG BROTHERS BIG SISTERS OF WINNIPEG INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

1. Nature of operations:

Big Brothers Big Sisters of Winnipeg Inc. (the Organization) was incorporated under the laws of Manitoba as a corporation without share capital. The Organization's mission is to provide children with mentors for friendship, support, and guidance. The Organization 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 Organization 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, 2020

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 Organization 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 Organization measures all its financial instruments measured at amortized cost.

The Organization 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 Organization 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 Organization are recorded at fair value at the date of contribution.

Volunteers contribute time to assist the Organization 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, 2020

2. Significant accounting policies (continued):

f) Capital assets-

Capital assets are recorded at cost and amortized over their estimated useful lives, except for contributed assets which are recorded at fair market value at the time of the contribution plus all costs directly attributable to the acquisition. This requires estimation of the useful life of the asset and its salvage and residual value. When a capital asset is impaired, the excess of its net carrying amount over the asset's fair value or replacement cost 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
Vehicle	5 years
Signage	5 years

g) Net assets-

Net assets are reported by the Organization through an Unappropriated Fund and an Appropriated Fund. The Unappropriated Fund accounts for the Organization's program delivery and administrative activities and represents unrestricted net assets used for the day-to-day operations of the Organization 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. Accounts receivable:

Accounts receivable includes receivables of \$25,776 (2019 - \$nil) for the Canada Emergency Wage Subsidy and Temporary Wage Subsidy related to salaries and wages during the year ended March 31, 2020. Wage and salary subsidies have been reflected in the statement of operations as a reduction of salaries and wages expense. Big Smiles – wages and benefits has been reduced by \$3,681 (2019 - \$nil) and salaries have been reduced by \$22,095 (2019 - \$nil).

4. Capital assets:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Land	\$ 428,000	\$ -	\$ 428,000	\$ -
Building	1,632,311	117,761	1,632,311	76,953
Computer equipment	36,977	31,439	35,050	21,828
Office furniture and equipment	127,033	94,307	122,193	81,785
Vehicle	16,000	1,600	-	-
Signage	6,895	1,379	6,895	689
	<u>\$ 2,247,216</u>	<u>\$ 246,486</u>	<u>\$ 2,224,449</u>	<u>\$ 181,255</u>
Net book value	<u>\$ 2,000,730</u>		<u>\$ 2,043,194</u>	

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

5. Lines of credit:

The Organization has a line of credit for operations in the amount of \$50,000 (2019 - \$50,000) of which \$nil was drawn at year end (2019 - \$nil). The line of credit bears interest at prime plus 1.55% (2019 - 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 Organization has a line of credit for capital asset purchases in the amount of \$839,000 (2019 - \$839,000) of which \$192,548 (2019 - \$246,239) was drawn at year end (Note 14). The line of credit bears interest at prime plus 0.40% (2019 - 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.

6. Mortgage:

	2020	2019
Mortgage on land and building, repayable in monthly instalments of \$5,887 representing principal and interest calculated at 3.79% due September 2021. (Note 14)	\$ 893,615	\$ 929,552
Less: Current portion of mortgage	(19,627)	(36,708)
	\$ 873,988	\$ 892,844

Scheduled principal payments are as follows:

2021	\$ 19,627
2022	873,988
	\$ 893,615

7. 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:

	2020	2019
Beginning balance	\$ 719,897	\$ 671,632
Contributions for capital assets	61,055	83,194
Amortization	(35,380)	(34,929)
Ending balance	\$ 745,572	\$ 719,897

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

8. Deferred contributions - programs:

Changes in the deferred contributions - programs are as follows:

	<u>Find Your Dreams</u>	<u>Irene Waddell</u>	<u>Programs</u>	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 5,284	\$ 15,926	\$ 44,848	\$ 66,058	\$ 71,210
Contributions received	-	-	19,068	19,068	44,848
Amounts amortized to revenue	-	-	(28,737)	(28,737)	(50,000)
Balance, end of year	<u>\$ 5,284</u>	<u>\$ 15,926</u>	<u>\$ 35,179</u>	<u>\$ 56,389</u>	<u>\$ 66,058</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.

The contributions for programs are designated by the foundations for programs that will take place in the next fiscal year.

9. Lease commitments:

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

2021	41,843
2022	41,843
2023	41,843
2024	41,843
2025	38,774
Thereafter	38,160

10. Inter-fund transfers:

During the year, the Board of Directors authorized the transfer of \$34,352 (2019 - \$4,180) to the Unrestricted Fund from the Appropriated Fund – Future operations.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

11. Net change in non-cash working capital:

	<u>2020</u>	<u>2019</u>
Accounts receivable	\$ (496)	\$ (4,272)
Inventory	(5,868)	211
Prepaid expenses	459	(2,694)
Accounts payable	23,716	(4,432)
Government remittances payable	(119)	114
Prepaid event sales	<u>(5,142)</u>	<u>5,142</u>
	<u>\$ 12,550</u>	<u>\$ (5,931)</u>

12. Contingencies:

During the year ended March 31, 2018, a claim for \$325,384 plus interest was made against the Organization by the building renovation contractor which the Organization 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, 2020.

13. Risk management:

Management's risk management policies are typically performed as a part of the overall management of the Organization'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 Organization 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 Organization has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Organization, 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 Organization cannot meet its financial obligations associated with financial liabilities in full. The Organization'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 Organization'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, 2020

13. 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 Organization 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 Organization 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:

The outbreak of the novel strain of the coronavirus ("COVID-19"), has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused an economic slowdown and material disruption in business. Subsequent to March 31, 2020, governments have continued to react with interventions intended to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial performance and financial position of the Organization in future periods.

Due to the outbreak of COVID-19, the Organization negotiated with the lender to reduce the total blended payments for the line of credit and mortgage to \$4,000 per month until October 1, 2020.