BIG BROTHERS BIG SISTERS OF WINNIPEG INC.

FINANCIAL STATEMENTS

MARCH 31, 2019

June 17, 2019

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, 2019, 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, 2019, 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.

DRAFT 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

	2019	2018
ASSETS		
Current assets:		
Cash	$ 191,606	$ 198,509
Accounts receivable	68,988	64,716
Inventory	203	414
Prepaid expenses	25,711	23,017
	286,508	286,656
Capital assets (Note 3)	2,043,194	2,075,334
	$ 2,329,702	$ 2,361,990
LIABILITIES		
Current liabilities:		
Accounts payable	$ 62,744	$ 67,176
Government remittances payable	210	96
Lines of credit (Note 4)	246,239	300,423
Prepaid event sales	5,142	-
Current portion of mortgage payable (Note 5)	36,722	35,448
	351,057	403,143
Deferred contributions - capital assets (Note 6)	719,897	671,632
Deferred contributions - programs (Note 7)	66,058	71,210
Mortgage payable (Note 5)	892,830	929,192
	2,029,842	2,075,177
NET ASSETS		
Unappropriated fund:		
Invested in capital assets	147,506	138,639
Appropriated fund:		
Future operations	152,354	148,174
	299,860	286,813
	$ 2,329,702	$ 2,361,990

APPROVED BY THE BOARD:

______________________________ **Director**

______________________________ **Director**

BIG BROTHERS BIG SISTERS OF WINNIPEG INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31

	2019	2018
Revenue:		
United Way of Winnipeg	$ 304,682	$ 277,390
Government of Canada	2,226	-
Government of Manitoba	264,300	264,300
Foundation contributions	91,008	101,911
Other contributions, donations and fundraising	128,093	102,820
Big Smiles	716,609	639,000
Amortization of deferrred revenue - capital assets	34,929	26,462
	1,541,847	1,411,883
Expenses:		
Advertising and promotion	15,443	3,918
Amortization of capital assets	66,000	51,820
Bank charges and interest	1,508	1,648
Big Smiles	202,147	163,832
Big Smiles - wages and benefits	292,777	328,053
Board expenses	918	806
Caseworkers	1,563	748
Computer	7,022	8,409
Dues, fees and memberships	19,417	18,253
Employee benefits	67,420	60,942
Equipment rental	6,693	8,262
Fundraising	6,387	12,082
Insurance	31,963	28,296
Interest - long-term	49,240	42,862
Meetings and travel	3,697	7,813
Newsletter	405	397
Office supplies	6,869	8,789
Postage	2,443	2,274
Premises cleaning, parking and utilities	32,313	17,634
Professional fees	61,280	37,026
Property taxes	10,123	11,182
Recreation	15,515	10,638
Recruitment	1,739	1,660
Salaries	615,721	601,135
Staff development	2,974	225
Telephone	5,142	5,087
Volunteer recognition	2,181	1,852
	1,528,900	1,435,643
Difference between revenue and expenses before gain (loss) on disposal of capital assets	12,947	(23,760)
Gain (loss) on disposal of capital assets	100	(4,889)
Difference between revenue and expenses	$ 13,047	$ (28,649)

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	2019 Total	2018 Total
Net assets, beginning of year	$ -	$ 138,639	$ 148,174	$ 286,813	$ 315,462
Purchases of capital assets	(33,860)	33,860	-	-	-
Proceeds from sale of capital assets	100	(100)	-	-	-
Repayment on mortgage	(35,088)	35,088	-	-	-
Change in lines of credit	(54,184)	54,184	-	-	-
Deferred contributions received	83,194	(83,194)	-	-	-
Difference between revenue and expenses	44,018	(30,971)	-	13,047	(28,649)
Interfund transfer (Note 9)	(4,180)	-	4,180	-	-
Net assets, end of year	$ -	$ 147,506	$ 152,354	$ 299,860	$ 286,813

BIG BROTHERS BIG SISTERS OF WINNIPEG INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31

	2019	2018
Cash flow from operating activities:		
Difference between revenue and expenses	$ 13,047	$ (28,649)
Items not affecting cash -		
Amortization of deferred contributions - programs	(50,000)	-
Amortization of deferred contributions - capital assets	(34,929)	(26,462)
Amortization of capital assets	66,000	51,820
Loss (gain) on disposal of capital assets	(100)	4,889
Receipt of deferred contributions - programs	44,848	50,000
	38,866	51,598
Change in non-cash operating working capital items (Note 10)	(5,931)	28,337
	32,935	79,935
Cash flow from investing activities:		
Purchase of capital assets	(33,860)	(402,691)
Proceeds on sale of capital assets	100	399,360
Receipt of deferred contributions - capital assets	83,194	209,274
Change in short-term investments	-	106,538
	49,434	312,481
Cash flow from financing activities:		
Mortgage repayments	(35,088)	(32,141)
Change in lines of credit	(54,184)	(262,422)
	(89,272)	(294,563)
Change in cash	(6,903)	97,853
Cash, beginning of year	198,509	100,656
Cash, end of year	$ 191,606	$ 198,509

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.

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.

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
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. Capital assets:

	2019		2018	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Land	$ 428,000	$ -	$ 428,000	$ -
Building	1,632,311	76,953	1,621,713	36,278
Computer equipment	35,050	21,828	18,684	15,842
Office furniture and equipment	122,193	81,785	122,193	63,136
Signage	6,895	689	-	-
	2,224,449	181,255	2,190,590	115,256
Net book value	$ 2,043,194		$ 2,075,334	

During the year, the Organization capitalized interest of $nil (2018 - $12,817), including $nil (2018 - $9,513) of mortgage interest, to building while the construction was ongoing. The Organization put the building into use in July 2017.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

4. Lines of credit:

The Organization has a line of credit for operations in the amount of $50,000 (2018 - $50,000) of which $nil was drawn at year end (2018 - $nil). The line of credit bears interest at prime plus 1.55% (2018 - 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 of which $246,239 (2018 - $300,423) 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.

5. Mortgage:

	2019	2018
Mortgage on land and building, repayable in monthly instalments of $5,950 representing principal and interest calculated at 3.79% due September 2021.	$ 929,552	$ 964,640
Less: Current portion of mortgage	(36,708)	(35,448)
	$ 892,844	$ 929,192

Principal payments are as follows:

2020	$ 36,708
2021	38,217
2022	854,627
	$ 929,552

6. 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:

	2019	2018
Beginning balance	$ 671,632	$ 488,820
Contributions for capital assets	83,194	209,274
Amortization	(34,929)	(26,462)
Ending balance	$ 719,897	$ 671,632

7. Deferred contributions - programs:

Changes in the deferred contributions - programs are as follows:

	Find Your Dreams	Irene Waddell	Programs	2019	2018
Balance, beginning of year	$ 5,284	$ 15,926	$ 50,000	$ 71,210	$ 21,210
Contributions received	-	-	44,849	44,849	50,000
Amounts amortized to revenue	-	-	(50,000)	(50,000)	-
Balance, end of year	$ 5,284	$ 15,926	$ 44,849	$ 66,059	$ 71,210

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.

8. Lease commitments:

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

2020	$ 42,284
2021	41,843
2022	41,843
2023	41,843
2024	41,843
thereafter	76,934

9. Interfund transfers:

During the year, the Board of Directors authorized the transfer of $4,180 to the Appropriated Fund - future operations from the Unrestricted Fund.

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

10. Net change in non-cash working capital:

	2019	2018
Accounts receivable	$ (4,272)	$ 6,847
Inventory	211	439
Prepaid expenses	(2,694)	16,702
Accounts payable	(4,432)	4,253
Government remittances payable	114	96
Prepaid event sales	5,142	-
	$ (5,931)	$ 28,337

11. 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, 2019.

12. 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.

12. 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.