

BIG BROTHERS BIG SISTERS OF HAMILTON AND BURLINGTON INCORPORATED

Financial Statements

Year Ended March 31, 2018

BIG BROTHERS BIG SISTERS OF HAMILTON AND BURLINGTON INCORPORATED
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Year Ended March 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Members of Big Brothers Big Sisters of Hamilton and Burlington Incorporated

We have audited the accompanying financial statements of Big Brothers Big Sisters of Hamilton and Burlington Incorporated, 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 entity'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 entity'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.

Independent Auditor's Report to the Members of Big Brothers Big Sisters of Hamilton and Burlington Incorporated (*continued*)

Basis for Qualified Opinion

In common with many not-for-profit organizations, Big Brothers Big Sisters of Hamilton and Burlington Incorporated derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Big Brothers Big Sisters of Hamilton and Burlington Incorporated. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenditures, and cash flows from operations for the year ended March 31, 2018, current assets and net assets as at March 31, 2018.

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 Hamilton and Burlington Incorporated 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.

Hamilton, Ontario
June 20, 2018

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

BIG BROTHERS BIG SISTERS OF HAMILTON AND BURLINGTON INCORPORATED
Statement of Financial Position
March 31, 2018

	General Fund	General Operating Reserve Fund	Property and Equipment Fund	2018	2017
ASSETS					
CURRENT					
Cash	\$ 49,982	\$ -	\$ -	\$ 49,982	\$ 43,669
Marketable securities	-	86,350	-	86,350	102,403
Accounts receivable	14,195	-	-	14,195	103,817
Sales tax recoverable	6,979	-	-	6,979	22,387
Prepaid expenses	43,838	-	-	43,838	52,867
	114,994	86,350	-	201,344	325,143
CAPITAL ASSETS (Note 5)	-	-	372,106	372,106	454,300
	\$ 114,994	\$ 86,350	\$ 372,106	\$ 573,450	\$ 779,443

See Accompanying Notes to the Financial Statements

BIG BROTHERS BIG SISTERS OF HAMILTON AND BURLINGTON INCORPORATED
Statement of Financial Position
March 31, 2018

	General Fund	General Operating Reserve Fund	Property and Equipment Fund	2018	2017
LIABILITIES AND NET ASSETS					
CURRENT					
Accounts payable and accrued liabilities	\$ 36,312	\$ -	\$ -	\$ 36,312	\$ 27,289
Employee deductions payable	-	-	-	-	23,521
Deferred revenue (Note 6)	58,029	-	-	58,029	37,433
Due to Big Brother Big Sister Foundation of Hamilton and Burlington	600	-	-	600	20,000
	94,941	-	-	94,941	108,243
DEFERRED CONTRIBUTIONS - CAPITAL ASSETS (Note 7)	-	-	143,133	143,133	190,993
	94,941	-	143,133	238,074	299,236
LEASE COMMITMENTS (Note 8)					
NET ASSETS	20,053	86,350	228,973	335,376	480,207
	\$ 114,994	\$ 86,350	\$ 372,106	\$ 573,450	\$ 779,443

ON BEHALF OF THE BOARD

_____ Director

_____ Director

BIG BROTHERS BIG SISTERS OF HAMILTON AND BURLINGTON INCORPORATED
Statement of Changes in Net Assets
Year Ended March 31, 2018

	General Fund	General Operating Reserve Fund	Property and Equipment Fund	2018	2017
NET ASSETS - BEGINNING OF YEAR	\$ 114,498	\$ 102,403	\$ 263,306	\$ 480,207	\$ 448,141
Deficiency of revenue over expenditures by fund	(114,458)	3,960	(34,333)	(144,831)	32,066
Transfer between funds	20,013	(20,013)	-	-	-
NET ASSETS - END OF YEAR	\$ 20,053	\$ 86,350	\$ 228,973	\$ 335,376	\$ 480,207

See Accompanying Notes to the Financial Statements

BIG BROTHERS BIG SISTERS OF HAMILTON AND BURLINGTON INCORPORATED**Statement of Operations
Year Ended March 31, 2018**

	2018	2017
REVENUE		
United Way	\$ 268,289	\$ 307,183
Designated contributions	283,768	331,426
Fundraising	207,935	302,190
City of Hamilton	70,634	69,869
Government of Ontario - Sport & Recreation	48,543	32,400
Infrastructure grants (<i>Note 7</i>)	47,860	46,075
Rental income	25,061	23,661
General contributions	21,881	23,812
Government of Ontario - Citizenship & Immigration	7,600	-
Investment income (loss)	3,960	3,917
	<u>985,531</u>	<u>1,140,533</u>
EXPENDITURES		
Administration	20,660	21,085
Amortization of capital assets	82,193	82,193
Bank charges and interest	3,315	3,719
Conferences and training	5,369	8,343
Dues and periodicals	404	847
Fundraising	71,191	79,388
Furniture and equipment rental	7,413	9,212
Insurance	41,824	38,786
IT support and repair	24,645	28,346
Mileage and staff	9,887	9,579
National organization membership fee	12,129	13,121
Postage	1,956	1,793
Professional fees	24,340	9,044
Program expense	8,982	8,802
Public relations	1,222	4,880
Rent	6,236	6,236
Salaries and employee benefits	762,518	737,576
Supplies	3,496	4,294
Telephone	11,001	8,480
Utilities and maintenance	31,582	32,743
	<u>1,130,363</u>	<u>1,108,467</u>
DEFICIENCY OF REVENUE OVER EXPENDITURES	\$ (144,832)	\$ 32,066

See Accompanying Notes to the Financial Statements

BIG BROTHERS BIG SISTERS OF HAMILTON AND BURLINGTON INCORPORATED
Statement of Cash Flows
Year Ended March 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Deficiency of revenue over expenditures	\$ (144,832)	\$ 32,066
Items not affecting cash:		
Amortization of capital assets	82,193	82,193
Amortization of deferred contributions - capital assets	(47,860)	(46,075)
	<u>(110,499)</u>	<u>68,184</u>
Changes in non-cash working capital:		
Accounts receivable	89,622	(69,340)
Sales tax recoverable	15,408	(5,269)
Prepaid expenses	9,029	(785)
Accounts payable and accrued liabilities	9,025	(5,355)
Employee deductions payable	(23,521)	8,463
Deferred revenue	20,596	(22,294)
	<u>120,159</u>	<u>(94,580)</u>
Cash flow used by operating activities	<u>9,660</u>	<u>(26,396)</u>
INVESTING ACTIVITY		
Marketable securities	<u>16,053</u>	<u>(3,917)</u>
Cash flow from (used by) investing activity	<u>16,053</u>	<u>(3,917)</u>
FINANCING ACTIVITY		
Due to Big Brother Big Sister Foundation of Hamilton and Burlington	<u>(19,400)</u>	20,000
Cash flow from (used by) financing activity	<u>(19,400)</u>	20,000
INCREASE (DECREASE) IN CASH FLOW	6,313	(10,313)
Cash - beginning of year	<u>43,669</u>	<u>53,982</u>
CASH - END OF YEAR	\$ 49,982	\$ 43,669

BIG BROTHERS BIG SISTERS OF HAMILTON AND BURLINGTON INCORPORATED
Notes to Financial Statements
Year Ended March 31, 2018

1. PURPOSE OF ORGANIZATION

Big Brothers Big Sisters of Hamilton and Burlington Incorporated (the "Organization") endeavours to be the leading mentoring organization for children in Burlington and Hamilton-Wentworth by providing children with quality mentoring relationships.

The Organization is incorporated under the laws of the Province of Ontario as a not-for-profit organization without share capital and is a registered charitable organization under the Income tax Act (Canada). As such it is exempt from income taxes and is able to issue donation receipts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Financial instruments

Measurement of financial instruments

The Organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Organization subsequently measures all its financial assets and financial liabilities at amortized cost except for marketable securities, which are measured at fair market value. Financial assets measured at amortized cost include cash, accounts receivable and sales tax recoverable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, employee deductions payable and due to Big Brothers Big Sisters Foundation of Hamilton and Burlington.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. Reversals are recognized in net income.

Transaction costs

The Organization recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

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BIG BROTHERS BIG SISTERS OF HAMILTON AND BURLINGTON INCORPORATED
Notes to Financial Statements
Year Ended March 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fund descriptions

The following is a summary of the funds presented in the financial statements:

The **General Fund** reports for the Organization's general program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants and any approved direct transfers from or to the General Operating Reserve Fund.

The **General Operating Reserve Fund** reports the assets set aside to provide for cash flow deficiencies of the General Fund, to fund the implementation of new programs and other unforeseen contingencies.

The **Property and Equipment Fund** reports the assets, liabilities, revenues and expenses related to the Organization's capital assets.

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions related to expenses of future periods are recorded as deferred contributions and are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Unrestricted contributions are recognized as revenue in the General Fund when received or receivable if the amount to be received can be reasonably assured. Unrestricted investment income is recognized as revenue in the appropriate fund in the period earned.

Contributed services

The Organization relies on a large number of volunteers to assist with the delivery and administration of its program and service activities who contribute an indeterminate number of hours annually. Because of the difficulty in determining fair values, contributed services are not recognized in these financial statements.

Capital assets

Capital assets are recorded at cost in the Property and Equipment fund and are being amortized over their estimated useful lives at the following annual rates and methods:

Buildings	40 years	straight-line method
Building improvements	8 - 20 years	straight-line method
Computer equipment	5 years	straight-line method
Equipment	5 years	straight-line method

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use. Contributed capital assets are recorded at fair value at the date of contribution.

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BIG BROTHERS BIG SISTERS OF HAMILTON AND BURLINGTON INCORPORATED
Notes to Financial Statements
Year Ended March 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement uncertainty

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Significant areas requiring the use of estimates include allowance for doubtful accounts receivable and determination of useful lives for amortization of capital assets. Actual results could differ from these estimates.

3. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Organization's risk exposure and concentration as at March 31, 2018.

Market risk

Market risk is the risk that fair value of investments will fluctuate due to changes in equity markets, foreign exchange and interest rates. Financial instruments that potentially subject the Organization to significant market risk consist primarily of marketable securities. The Organization does not use derivative financial instruments to reduce its exposure to interest rate risk and market risk.

4. CAPITAL MANAGEMENT

In managing capital, the Organization focuses on liquid resources available for operations. The Organization's objective is to have sufficient liquidity to continue operating despite adverse financial events and to provide it with flexibility to take advantage of opportunities that will advance its purpose. The need for sufficient liquidity is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at March 31, 2018, the Organization has met its objective of having sufficient liquidity to meet its current obligations.

BIG BROTHERS BIG SISTERS OF HAMILTON AND BURLINGTON INCORPORATED
Notes to Financial Statements
Year Ended March 31, 2018

5. CAPITAL ASSETS

	2018		2017	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Land	\$ 92,000	\$ -	\$ 92,000	\$ -
Buildings	551,214	477,874	551,214	464,094
Building improvements	696,323	493,148	696,323	426,531
Computer equipment	167,234	163,643	167,234	161,846
Equipment	82,611	82,611	82,611	82,611
	\$ 1,589,382	\$ 1,217,276	\$ 1,589,382	\$ 1,135,082
Net book value	\$ 372,106		\$ 454,300	

The Organization has determined that there was no impairment of capital assets as at March 31, 2018.

6. DEFERRED REVENUE

Deferred revenue relates to expenses of future periods and represents funding not spent. Changes in the deferred revenue are as follows:

	2018	2017
Balance, beginning of year	\$ 37,433	\$ 59,727
Less: amount recognized as revenue in the year	(34,983)	(57,277)
Add: amount received related to the following year	55,579	34,983
Balance, end of year	\$ 58,029	\$ 37,433

7. DEFERRED CONTRIBUTIONS - CAPITAL ASSETS

Deferred contributions - capital assets represent the unamortized amount of grants received to be used in the purchase of capital assets. The changes for the year in the deferred grants balance reported as follows:

	2018	2017
Balance, beginning of year	\$ 190,993	\$ 237,068
Amounts amortized into income	(47,860)	(46,075)
Balance, end of year	\$ 143,133	\$ 190,993

BIG BROTHERS BIG SISTERS OF HAMILTON AND BURLINGTON INCORPORATED
Notes to Financial Statements
Year Ended March 31, 2018

8. LEASE COMMITMENTS

The Organization leases premises under a long term lease which expires on December 31, 2018. Under the lease, the Organization is required to pay a base rent of \$6,000 per annum. The lease contains renewal options to extend to December 31, 2019 and December 31, 2020.

The Organization also has an operating lease for equipment that expires on October 16, 2020, with a quarterly payment of \$1,396. Minimum lease payments due within the next five years are as follows:

2019	\$	12,040
2020		10,481
2021		5,804
2022		<u>2,902</u>
	\$	<u>31,227</u>

9. ACCOUNTING POLICY CHANGE

During the year, the Organization changed their accounting policy for the deferral of revenue Bowl For Kids Sake event. In prior years, net proceeds from the fundraising event were deferred to the subsequent fiscal year. With the change in policy, only amounts received and paid for in the current year fiscal year for events held in the subsequent fiscal year will be deferred. In accordance with CICA Handbook Section 1506, management applied the change in accounting policy retrospectively with restatement of the prior year's figures.

The result of this retrospective restatement as at March 31, 2018 is an increase to opening net assets of \$39,018, which represents the removal of the Bowl For Kids Sake deferred revenue accrual originally recorded in prior years. As at March 31, 2017, the result is an increase in fundraising revenue of \$24,823 and fundraising expenses of \$2,616 as well as an increase to closing net assets of \$22,207. There was also an increase in accounts payable of \$2,526 and a decrease in deferred revenue of \$41,542. As at March 31, 2016, the result is an increase to fundraising revenue of \$19,480 and fundraising expenses of \$2,669 as well as an increase in closing net assets of \$16,811.

In addition to the above policy change, the Organization had requested an adjustment to be made for a prior year unadjusted amount. The result of this retrospective restatement as at March 31, 2018 is an decrease to opening net assets of \$17,583, which represents the removal of Ministry of Education grant receivable which was recorded in duplicate. As at March 31, 2017, the result is a decrease to accounts receivable and designated contributions revenue.

10. COMPARATIVE FIGURES

The March 31, 2017 comparative balances represent the restated financial statements. They reflect the change in accounting policy made by management as noted above.

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year's financial statements.

BIG BROTHERS BIG SISTERS OF HAMILTON AND BURLINGTON INCORPORATED
Notes to Financial Statements
Year Ended March 31, 2018

11. SUBSEQUENT EVENTS

The following events occurred subsequent to the fiscal year end:

Amalgamation

On April 1, 2018, the Organization and Big Brothers Big Sisters of Halton will amalgamate pending the final approval of the Letters Patent of Amalgamation. The name of the new organization will be Big Brothers Big Sisters of Halton and Hamilton.

BIG BROTHERS BIG SISTERS OF HAMILTON AND BURLINGTON INCORPORATED
Statement of Operations by Fund
For the Year Ended March 31, 2018

	General Fund	General Operating Reserve Fund	Property and Equipment Fund	2018	2017
REVENUE					
Designated contributions	\$ 283,768	\$ -	\$ -	\$ 283,768	\$ 349,009
United Way	268,289	-	-	268,289	307,183
Fundraising	207,935	-	-	207,935	302,190
City of Hamilton	70,634	-	-	70,634	69,869
Infrastructure grants (Note 7)	-	-	47,860	47,860	46,075
General contributions	21,881	-	-	21,881	23,812
Government of Ontario - Sport & Recreation	48,543	-	-	48,543	32,400
Rental income	25,061	-	-	25,061	23,661
Government of Ontario - Citizenship & Immigration	7,600	-	-	7,600	-
Investment income (loss)	-	3,960	-	3,960	3,917
	933,711	3,960	47,860	985,531	1,158,116
EXPENDITURES (Schedule 1)	1,048,169	-	82,193	1,130,362	1,108,467
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES BY FUND	\$ (114,458)	\$ 3,960	\$ (34,333)	\$ (144,831)	\$ 49,649

See Accompanying Notes to the Financial Statements

BIG BROTHERS BIG SISTERS OF HAMILTON AND BURLINGTON INCORPORATED

Expenditures by Fund

(Schedule 1)

For the Year Ended March 31, 2018

	General Fund	General Operating Reserve Fund	Property and Equipment Fund	2018	2017
Administration	\$ 20,660	\$ -	\$ -	\$ 20,660	\$ 21,085
Amortization of capital assets	-	-	82,193	82,193	82,193
Bank charges and interest	3,314	-	-	3,314	3,719
Conferences and training	5,369	-	-	5,369	8,343
Dues and periodicals	404	-	-	404	847
Fundraising	71,191	-	-	71,191	79,388
Furniture and equipment rental	7,413	-	-	7,413	9,212
IT support and repair	24,645	-	-	24,645	28,346
Insurance	41,824	-	-	41,824	38,786
Mileage and staff	9,887	-	-	9,887	9,579
National organization membership fee	12,129	-	-	12,129	13,121
Postage	1,956	-	-	1,956	1,793
Professional fees	24,340	-	-	24,340	9,044
Program expense	8,982	-	-	8,982	8,802
Public relations	1,222	-	-	1,222	4,880
Rent	6,236	-	-	6,236	6,236
Salaries and employee benefits	762,518	-	-	762,518	737,576
Supplies	3,496	-	-	3,496	4,294
Telephone	11,001	-	-	11,001	8,480
Utilities and maintenance	31,582	-	-	31,582	32,743
	\$ 1,048,169	\$ -	\$ 82,193	\$ 1,130,362	\$ 1,108,467

See Accompanying Notes to the Financial Statements