

**Big Brothers & Big Sisters of
Kincardine & District
Financial Statements
For the year ended December 31, 2018**

Big Brothers & Big Sisters of Kincardine & District Financial Statements

For the year ended December 31, 2018

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Independent Auditor's Report

To the Members of Big Brothers & Big Sisters of Kincardine & District

Qualified Opinion

We have audited the accompanying financial statements of Big Brothers & Big Sisters of Kincardine & District (the Entity), which comprise the balance sheet as at December 31, 2018, and the statements of operations, changes in unrestricted net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Entity derives revenue from donations and 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 the Entity. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess (deficiency) of revenues over expenses, and cash flows from operations for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017, and unrestricted net assets as at January 1 and December 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

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 Entity 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 qualified audit opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.



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 Entity's internal control.
- 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 Entity'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 Entity 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Kincardine, Ontario
April 15, 2019

Big Brothers & Big Sisters of Kincardine & District Balance Sheet

December 31 2018 2017

Assets

Current

Cash and bank	\$	24,657	\$	32,324
Short-term investments (Note 3)		51,208		50,989
Trade receivables		11,942		8,775
Prepaid expenses		3,765		2,202
		91,572		94,290

Liabilities and Net Assets

Current

Trade payables	\$	5,694	\$	1,896
Deferred revenue		1,948		4,540
		7,642		6,436

Net Assets

Unrestricted net assets		83,930		87,854
		91,572		94,290

On behalf of the Board:

_____ Director

**Big Brothers & Big Sisters of Kincardine & District
Statement of Changes in Unrestricted Net Assets**

<u>For the year ended December 31</u>	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 87,854	\$ 92,384
Deficiency of revenues over expenses for the year	<u>(3,924)</u>	<u>(4,530)</u>
Balance, end of year	<u>\$ 83,930</u>	<u>\$ 87,854</u>

The accompanying notes are an integral part of these financial statements.

Big Brothers & Big Sisters of Kincardine & District Statement of Operations

For the year ended December 31	2018		2017	
Revenues				
Unrestricted donations - individuals	\$ 21,444	19.9 %	\$ 5,732	6.1 %
Unrestricted donations - corporations	17,683	16.4 %	7,438	8.0 %
Fundraising activities, net (Note 2)	55,161	51.1 %	66,572	71.2 %
Investment income	759	0.7 %	751	0.8 %
Lottery income, net	12,343	11.4 %	13,313	14.2 %
Government grants	1,000	0.9 %	-	-
Loss on sale of short-term investments	-	-	(322)	(0.3)%
Change in fair value of short-term investments	(540)	(0.5)%	-	-
	107,850	100.0 %	93,484	100.1 %
Expenses				
Activities	4,050	3.8 %	5,718	6.1 %
Advertising and promotion	-	-	83	0.1 %
Group mentoring	6,369	5.9 %	2,187	2.3 %
Insurance	3,293	3.1 %	2,174	2.3 %
Interest and bank charges	261	0.2 %	139	0.1 %
Membership dues and subscriptions	2,359	2.2 %	2,200	2.4 %
Printing, stationery and office supplies	7,261	6.7 %	4,064	4.3 %
Professional fees	6,308	5.8 %	6,209	6.6 %
Rent	5,519	5.1 %	5,206	5.6 %
Salaries and benefits	74,614	69.2 %	68,722	73.5 %
Telephone	864	0.8 %	789	0.8 %
Vehicle	876	0.8 %	523	0.6 %
	111,774	103.6 %	98,014	104.7 %
Deficiency of revenues over expenses for the year	\$ (3,924)	(3.6)%	\$ (4,530)	(4.6)%

The accompanying notes are an integral part of these financial statements.

Big Brothers & Big Sisters of Kincardine & District Statement of Cash Flows

For the year ended December 31	2018	2017
Cash flows from operating activities:		
Deficiency of revenues over expenses for the year	\$ (3,924)	\$ (4,530)
Items not involving cash		
Loss on sale of investments	-	322
Change in fair value of investments	540	-
	<u>(3,384)</u>	<u>(4,208)</u>
Changes in non-cash working capital items		
Short-term investments	-	(430)
Trade receivables	(3,167)	(7,109)
Prepaid expenses	(1,563)	(28)
Trade payables	3,798	(1,019)
Deferred revenue	(2,592)	4,540
	<u>(3,524)</u>	<u>(4,046)</u>
Cash flow from investing and financing activities:		
Disposal of short-term investments	-	25,416
Purchase of short-term investments	(759)	(25,738)
	<u>(759)</u>	<u>(322)</u>
Change in cash	(7,667)	(8,576)
Cash, beginning of year	32,324	40,900
Cash, end of year	\$ 24,657	\$ 32,324
Cash and cash equivalents consist of the following:		
Cash and bank	\$ 24,657	\$ 32,324

The accompanying notes are an integral part of these financial statements.

Big Brothers & Big Sisters of Kincardine & District

Notes to Financial Statements

December 31, 2018

1. Summary of Significant Accounting Policies

Nature and Purpose of Organization	<p>Big Brothers & Big Sisters of Kincardine & District is a non-profit association incorporated without share capital under the laws of Ontario. The association is set up to provide adult companionship to children between the ages of 6 and 16 years old in Kincardine and surrounding communities.</p> <p>The association is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.</p>
Basis of Accounting	<p>The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.</p>
Revenue Recognition	<p>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 receivable and collection is reasonably assured. Deferred revenue arises when the association receives restricted contributions for which it has not incurred the related expenses.</p> <p>Fundraising, grants, donations and lottery revenues are recognized when receivable and collection is reasonably assured.</p> <p>Unrestricted investment income is recognized when the right to receive payment is established provided that collection is reasonably assured and can be reliably measured.</p>
Contributed Materials and Services	<p>Volunteers contribute a significant number of hours per year 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.</p> <p>Contributed materials and services which are used in the normal course of the association's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.</p>
Financial Instruments	<p>Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial instruments traded in an active market are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate that the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.</p>
Capital Assets	<p>Capital assets are not recorded on the balance sheet. Expenditures for capital assets in the year are recorded as expenses and disclosed in the statement of operations.</p>

Big Brothers & Big Sisters of Kincardine & District Notes to Financial Statements

December 31, 2018

2. Fundraising Activities

During the year, the association sponsored fundraising events to generate cash for operations. Revenues reported in the Statement of Operations include net revenue from these events of \$55,161 (2017: \$66,572). Gross revenue and expenses related to these events were as follows:

Event	Bowl for Kid's Sake	Golf Tournaments	Other	2018	2017
Gross revenue	\$ 15,011	\$ 33,027	\$ 27,302	\$ 75,340	\$ 89,289
Gross expenses	1,014	14,770	4,395	20,179	22,717
Net revenue	\$ 13,997	\$ 18,257	\$ 22,907	\$ 55,161	\$ 66,572

3. Short-term Investments

The association's short-term investments consist of an investment savings account and a conservative income fund.

4. Capital Assets

The association owns several assets which have been purchased and expensed in prior years. Major categories of assets owned by the association include computer, furniture and equipment.

5. Commitment

The association's total obligations under an operating lease for its premises is as follows:

2019	\$ 6,000
2020	6,000
2021	6,000
2022	6,000

Big Brothers & Big Sisters of Kincardine & District Notes to Financial Statements

December 31, 2018

6. Contributed Materials

During the year, the association received contributed materials of \$4,956 (2017: \$3,235). The value of these contributed materials has been included in the financial statements as follows: \$4,043 in unrestricted donations - individuals, \$760 in unrestricted donations - corporations, \$153 in golf tournaments fundraising revenue, \$900 in group mentoring, \$82 in printing, stationary and office supplies, \$157 in vehicle, \$153 in golf tournaments fundraising expense, \$760 in net lottery income, and \$2,904 in other fundraising expense.

7. Financial Instrument Risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The association is exposed to interest rate risk arising from the possibility that changes in market interest rates will affect the value of the association's short-term investments.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. An organization is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or if the financial institution holding the company's funds defaults on the balance. The association's financial instruments that are exposed to concentrations of credit risk relate primarily to trade receivables and prepaid expenses.

Liquidity risk

Liquidity risk is the risk that an organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, an organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover a financial asset. The association's financial instruments that are exposed to concentrations of liquidity risk relate primarily to trade payables.

There have been no changes to the association's financial instrument risk exposure from the prior year.
