

**Big Brothers Big Sisters of North Durham**  
**Financial Statements**  
Year Ended December 31, 2018

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Big Brothers Big Sisters of North Durham

*Qualified Opinion*

I have audited the financial statements of Big Brothers Big Sisters of North Durham (the Organization), which comprise the statement of financial position as at December 31, 2018, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization 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 Organization 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 the Organization. Therefore, I was not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2018, current assets and net assets as at December 31, 2018. My audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation of scope.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Organization in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 the 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 Organization's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

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Independent Auditor's Report to the Members of Big Brothers Big Sisters of North Durham (continued)

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


*Auditor's Responsibilities for the Audit of the Financial Statements*

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 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 Organization's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

Port Perry, Ontario  
June 19, 2019

  
JANET MCGHEE PROFESSIONAL CORPORATION


Authorized to practise public accounting by  
the Chartered Professional Accountants of Ontario

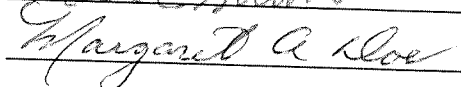
**Big Brothers Big Sisters Of North Durham**  
**Statement of Financial Position**

December 31, 2018

	2018	2017
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash		
Domestic term deposits	\$ 58,570	\$ 78,006
Accounts receivable	-	30,000
Prepaid	6,993	6,866
Accrued revenue	982	368
	-	7
	<u>66,545</u>	115,247
<b>CAPITAL ASSETS (Note 3)</b>	<u>2,771</u>	2,190
	<u>\$ 69,316</u>	\$ 117,437
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable	\$ 5,377	\$ 4,744
Deferred revenue	12,000	7,495
	<u>17,377</u>	12,239
<b>NET ASSETS</b>	<u>51,939</u>	105,198
	<u>\$ 69,316</u>	\$ 117,437

**ON BEHALF OF THE BOARD**

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

See notes to financial statements



**Big Brothers Big Sisters Of North Durham**  
**Statement of Revenues and Expenditures**  
Year Ended December 31, 2018

	2018	2017
<b>REVENUES</b>		
Fundraising events	\$ 178,289	\$ 177,731
Grants	87,841	149,671
Donations	9,823	17,838
GST/HST rebate	9,087	7,926
Scout hall rental & rent rebate	7,105	8,313
Interest	218	77
	<u>292,363</u>	<u>361,556</u>
<b>EXPENDITURES</b>		
Wages and benefits	190,245	175,871
Fundraising expenses	93,279	75,516
Little Brothers/Sisters expense	15,165	9,490
HST paid	13,039	11,372
Dues and fees	6,315	6,137
Mileage	5,817	5,304
Utilities and maintenance	5,495	4,457
Office and general	5,326	4,205
Insurance	4,947	2,609
Telephone and internet	2,955	2,439
Advertising and promotion	1,079	828
Amortization	953	795
Interest and bank charges	405	1,019
Conventions and workshops	302	904
Donation to United Way	300	-
	<u>345,622</u>	<u>300,946</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (53,259)</u>	<u>\$ 60,610</u>

See notes to financial statements



**Big Brothers Big Sisters Of North Durham**  
**Statement of Changes in Net Assets**  
Year Ended December 31, 2018

	2018	2017
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 105,198	\$ 44,588
DEFICIENCY OF REVENUES OVER EXPENDITURES	(53,259)	60,610
<b>NET ASSETS - END OF YEAR</b>	\$ 51,939	\$ 105,198

See notes to financial statements



**Big Brothers Big Sisters Of North Durham**  
**Statement of Cash Flows**  
Year Ended December 31, 2018

	2018	2017
<b>OPERATING ACTIVITIES</b>		
excess (deficiency) of revenues over expenditures	\$ (53,259)	\$ 60,610
Item not affecting cash:		
Amortization of capital assets	953	795
	<u>(52,306)</u>	<u>61,405</u>
Changes in non-cash working capital:		
Accounts payable	634	670
Deferred revenue	4,505	(2,005)
Accounts receivable	(127)	(3,644)
Prepaid	(614)	(166)
Interest receivable	7	(7)
Accrued revenue	-	14,081
	<u>4,405</u>	<u>8,929</u>
Cash flow from (used by) operating activities	<u>(47,901)</u>	<u>70,334</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(1,535)	(1,176)
Redemption (purchase) of investments	30,000	(20,000)
Cash flow from (used by) investing activities	<u>28,465</u>	<u>(21,176)</u>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>(19,436)</b>	<b>49,158</b>
Cash - beginning of year	<u>78,006</u>	<u>28,848</u>
<b>CASH - END OF YEAR</b>	<b>\$ 58,570</b>	<b>\$ 78,006</b>





1. PURPOSE OF THE ORGANIZATION

The purpose of our organization is to recruit suitable adults to act as big brothers/sisters and mentors to primarily single parent children in the area of North Durham. We monitor each match to ensure both parties benefit.

Big Brothers Big Sisters of North Durham is registered as a charitable organization under the Income Tax Act (Canada) (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Cash and cash equivalents

The Big Brothers Big Sisters of North Durham considers deposits in banks, certificates of deposits and short-term investments with original maturities of less than one year as cash and cash equivalents.

Prepaid

Prepaid is for expenses paid for in the current year which relate to a future period.

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

Computer equipment	30%
Furniture and fixtures	20%
Software	50%

In the first year of acquisition only ½ of the amount is recognized.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Deferred Revenue

Funds received in the current year that will not be used until a future period, are classified as deferred revenues. This will arise when funds are received in advance for a project which has not been completed.

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2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

The organization recognizes revenues when they are earned, specifically when all the following conditions are met:

- services are provided or products are delivered to customers
- there is clear evidence that an arrangement exists
- amounts are fixed or can be determined
- the ability to collect is reasonably assured.

Grant revenue represents funds received from provincial and municipal governments and other charitable organizations and is recorded when received and if it relates to that particular period. Donations and facility rental are recognized upon receipt.

HST rebates are recognized when accrued.

Fund accounting

Big Brothers Big Sisters of North Durham follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the organization's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants. The funds are similar to the retained earnings account in a for profit entity.

Measurement uncertainty

When preparing financial statements according to ASNPO, management makes estimates and assumptions relating to:

- reported amounts of revenues and expenses
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities.

Estimates are based on a number of factors including historical experience, current events and actions that the organization may undertake in the future, and other assumptions that management believes are reasonable under the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. In particular, estimates are used in accounting for certain items such as revenues, allowance for doubtful accounts, useful lives of capital assets, asset impairments, legal and tax contingencies, employee compensation plans, employee benefit plans, retained interest in securitized receivables, income taxes, and goodwill impairment.

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2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement of Financial Instruments

The organization initially measures its financial assets and financial 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. The organization has not designated any financial asset or financial liability to be measured at fair value.

Volunteer services

Big Brothers Big Sisters of North Durham benefits from substantial services in the form of volunteer time. Since these invaluable donated services are not purchased by Big Brothers Big Sisters of North Durham, they are not recorded in these financial statements.

3. CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Computer equipment	\$ 8,242	\$ 6,007	\$ 2,235	\$ 1,330
Furniture and equipment	862	580	282	352
Software	1,708	1,454	254	508
	<b>\$ 10,812</b>	<b>\$ 8,041</b>	<b>\$ 2,771</b>	<b>\$ 2,190</b>

4. Deferred revenue

	2018	2017
Opening balance	\$ 7,495	\$ 9,500
Grant received from Bell Canada for Think, Feel, Act	12,000	-
Amounts received for Boston Pizza	-	8,500
Amounts received for Ministry of Education	-	1,120
Change in balance for revenue brought into income	(7,495)	(11,625)
Ending balance	<b>\$ 12,000</b>	<b>\$ 7,495</b>

5. Unrestricted net assets

Unrestricted net assets, which are comparable to the retained earnings of a for-profit organization, are available to sustain operations in the event of unforeseen conditions, such as a significant shortfall in fundraising efforts.



6. FINANCIAL INSTRUMENTS

The financial instruments of the organization consist mainly of cash, accounts receivable, and accounts payable and accrued liabilities.

**(a) Credit risk**

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from customers. In order to reduce its credit risk, the organization reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The organization has a significant number of customers which minimizes concentration of credit risk.

**(b) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, domestic term investments, prepaids, accrued revenue, deferred revenue, and accounts payable. Considering the liquid investments, there is not a significant risk in this area.

**(c) Fair values**

The carrying amounts of financial instruments including cash, investments, accounts receivable and accounts payable and accrued liabilities approximate their fair value because of the short maturity of these instruments.

**(d) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its investment in domestic term deposits. The risk is not considered significant in this area.

The organization is not generally exposed to any significant risks with respect to its financial instruments.

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7. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

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