

**Big Brothers Big Sisters of
Waterloo Region
Financial Statements**
For the year ended December 31, 2019

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Independent Auditor's Report

To the Members of Big Brothers Big Sisters of Waterloo Region

Qualified Opinion

We have audited the accompanying financial statements of Big Brothers Big Sisters of Waterloo Region (the organization), which comprise the statement of financial position as at December 31, 2019 and the statements of operations, changes in fund balances and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2019, and its results of operations, its changes in fund balances 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 charitable organizations, the organization derives revenue from fundraising activities and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising and donation revenues, excess (deficiency) of revenues over expenditures, and cash flows from operations for the years ended December 31, 2019 and 2018, current assets as at December 31, 2019 and 2018, and fund balances as at January 1 and December 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended December 31, 2019 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 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 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 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.

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 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 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.

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Ontario
July 21, 2020

**Big Brothers Big Sisters of Waterloo Region
Statement of Financial Position**

December 31

2019

2018

	Operating Fund	Scholarship & Restricted Funds	Total	Total
Assets				
Current				
Cash (Note 2)	\$ 97,823	\$ 43,087	\$ 140,910	\$ 212,575
Short-term investments (Note 3)	179,886	337,930	517,816	474,774
Accounts receivable	9,399	-	9,399	8,895
Prepaid expenses	317	-	317	2,708
	<u>287,425</u>	<u>381,017</u>	<u>668,442</u>	<u>698,952</u>
Tangible capital assets (Note 4)	17,950	-	17,950	23,199
Long-term investments (Note 5)	65,568	69,312	134,880	132,442
	<u>\$ 370,943</u>	<u>\$ 450,329</u>	<u>\$ 821,272</u>	<u>\$ 854,593</u>
Liabilities and Fund Balances				
Current				
Accounts payable and accrued liabilities	\$ 18,291	\$ -	\$ 18,291	\$ 23,588
Deferred contributions (Note 6)	45,040	-	45,040	20,409
Due (to) from Scholarship & Restricted Fund (Note 7)	11,148	(11,148)	-	-
Current portion of capital lease obligation (Note 8)	3,956	-	3,956	3,956
	<u>78,435</u>	<u>(11,148)</u>	<u>67,287</u>	<u>47,953</u>
Long term				
Obligation under capital lease (Note 8)	8,119	-	8,119	12,356
	<u>86,554</u>	<u>(11,148)</u>	<u>75,406</u>	<u>60,309</u>
Fund balances				
Internally restricted - tangible capital assets	5,875	-	5,875	6,887
Internally restricted (Note 11)	146,528	-	146,528	146,528
Externally restricted	-	461,477	461,477	416,172
Unrestricted	131,986	-	131,986	224,697
	<u>284,389</u>	<u>461,477</u>	<u>745,866</u>	<u>794,284</u>
	<u>\$ 370,943</u>	<u>\$ 450,329</u>	<u>\$ 821,272</u>	<u>\$ 854,593</u>

On behalf of the Board: _____ President _____ Treasurer

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

**Big Brothers Big Sisters of Waterloo Region
Statement of Changes in Fund Balances**

For the year ended December 31	2019			2018	
	Operating Fund	Scholarship & Restricted Funds (Schedule 2)	Total	Total	
Fund balances, beginning of year	\$ 378,112	\$ 416,172	\$ 794,284	\$	764,220
Excess (deficiency) of revenue over expenditures for the year	(93,723)	45,305	(48,418)		30,064
Fund balances, end of year	\$ 284,389	\$ 461,477	\$ 745,866	\$	794,284

**Big Brothers Big Sisters of Waterloo Region
Statement of Operations**

For the year ended December 31

2019

2018

	Operating Fund	Scholarship & Restricted Funds (Schedule 2)	Total	Total
Revenue				
Government and community grants (Note 9)	\$ 203,437	\$ -	\$ 203,437	\$ 298,322
United Way	214,492	-	214,492	272,488
Event fundraising, net (Note 10)	181,116	-	181,116	167,937
Donations	98,257	-	98,257	118,756
Best Friends fundraising and donations	54,300	-	54,300	33,300
Investment income	5,483	12,510	17,993	18,814
Scholarship and program donations	600	15,900	16,500	19,600
	<u>757,685</u>	<u>28,410</u>	<u>786,095</u>	<u>929,217</u>
Expenses				
Amortization	5,250	-	5,250	6,624
Operating expenses (Schedule 1)	851,179	-	851,179	828,068
Scholarship and program expenses	-	19,500	19,500	20,500
	<u>856,429</u>	<u>19,500</u>	<u>875,929</u>	<u>855,192</u>
Excess (deficiency) of revenue over expenditures before other items	<u>(98,744)</u>	<u>8,910</u>	<u>(89,834)</u>	<u>74,025</u>
Other income (expenses)				
Investment management fees	(3,643)	(5,980)	(9,623)	(8,680)
Gain (loss) on change in fair market value of investments	9,582	37,321	46,903	(30,467)
Gain (loss) on disposal of investments	(918)	5,054	4,136	(4,814)
	<u>5,021</u>	<u>36,395</u>	<u>41,416</u>	<u>(43,961)</u>
Excess (deficiency) of revenue over expenditures for the year	<u>\$ (93,723)</u>	<u>\$ 45,305</u>	<u>\$ (48,418)</u>	<u>\$ 30,064</u>

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

Big Brothers Big Sisters of Waterloo Region Statement of Cash Flows

For the year ended December 31	2019	2018
Cash flows from operating activities		
Excess (deficiency) of revenue over expenditures for the year	\$ (48,418)	\$ 30,064
Items not involving cash		
Amortization	5,250	6,624
(Gain) loss on fair market value of investments	(46,903)	30,467
(Gain) loss on disposal of investments	(4,136)	4,814
	<u>(94,207)</u>	71,969
Net change in non-cash working capital balances		
Accounts receivable	(503)	6,013
Prepaid expenses	2,391	14,541
Accounts payable and accrued liabilities	(5,297)	1,258
Deferred contributions	24,631	(137,114)
	<u>(72,985)</u>	(43,333)
Cash flows from investing activities		
Purchases of investments	(13,678)	(190,135)
Withdrawals from investment account	19,235	14,000
Purchase of tangible capital assets	-	(1,237)
	<u>5,557</u>	(177,372)
Cash flows from financing activities		
Repayments of capital lease obligation	(4,237)	(3,167)
Decrease in cash for the year	(71,665)	(223,872)
Cash, beginning of year	212,575	436,447
Cash, end of year	\$ 140,910	\$ 212,575

Big Brothers Big Sisters of Waterloo Region Notes to Financial Statements

December 31, 2019

1. Summary of Significant Accounting Policies

Nature of Operations The organization is a registered charity incorporated without share capital under the laws of Ontario. It has a mission of enhancing the development of children in need of mentoring. The organization's purpose is to provide a multi-faceted program to serve children with needs resulting from cultural and socio-economic marginalization in Waterloo Region.

Basis of Accounting The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations (ASNPO).

Fund Accounting The organization follows the principles of fund accounting.

The operating fund accounts for the organization's program delivery and administrative activities as well as tangible capital assets.

The scholarship and restricted funds reports resources used for the purpose of providing scholarships and community programs to eligible individuals. The scholarship funds are held by the organization to provide funds for distribution to eligible students in the community. The Promise, Dixon and Westmount funds have no specific designations. The Trapp Bursary is designated for an eligible child from the Elmira area.

Tangible Capital Assets Tangible capital assets are recorded at cost. Amortization based on the estimated useful life of the asset is as follows:

Office equipment	- 20% diminishing balance basis
Computer equipment	- 30% diminishing balance basis
Telephone system	- 20% diminishing balance basis

When a tangible capital asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Any unamortized deferred contribution amount related to the tangible capital asset is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

Big Brothers Big Sisters of Waterloo Region Notes to Financial Statements

December 31, 2019

1. Summary of Significant Accounting Policies (continued)

Income Taxes	The organization is a registered charity and therefore is not subject to income taxes.
Revenue Recognition	Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized as revenue in the appropriate restricted fund. Where there is no appropriate restricted fund, restricted contributions are recognized under the deferral method in the Operating Fund. Distributions from the investments held with the Kitchener and Waterloo Community Foundation are recognized as income in the Operating Fund upon notification of distribution.
Contributed Materials & Services	Volunteers contribute many hours per year 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. Contributed materials are not recognized in the financial statements unless they would normally be purchased by the organization and their fair market value can be ascertained.
Use of Estimates	The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Big Brothers Big Sisters of Waterloo Region

Notes to Financial Statements

December 31, 2019

1. Summary of Significant Accounting Policies (continued)

Financial Instruments

Financial Instruments are recorded at fair value at initial recognition.

In subsequent periods, equities traded in an active market and derivatives 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. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and 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, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

2. Cash

The organization's bank accounts are held at one chartered bank and earn interest at a nominal rate.

3. Short-term Investments

	<u>2019</u>	<u>2018</u>
Cash and money market funds for reinvestment	\$ 73,263	\$ 81,079
1.58% to 2.75% GIC's, maturing in 2020	70,280	55,725
Canadian equity funds	288,991	260,171
Foreign equity funds	85,282	77,799
	<u>\$ 517,816</u>	<u>\$ 474,774</u>

Big Brothers Big Sisters of Waterloo Region Notes to Financial Statements

December 31, 2019

4. Tangible Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	\$ 83,651	\$ 81,367	\$ 83,651	\$ 80,797
Computer equipment	47,671	43,400	47,671	41,570
Telephone system under Capital lease	19,783	8,388	19,783	5,539
	\$ 151,105	\$ 133,155	\$ 151,105	\$ 127,906
Net book value		\$ 17,950		\$ 23,199

Amortization expense for assets under capital lease totaled \$2,849 (2018 - \$3,561).

5. Long-term Investments

Long-term investments include various GICs bearing interest at rates ranging from 1.58% to 3.90% and maturing between January 2021 and December 2023.

6. Deferred Contributions

	2019		2018	
Balance, beginning of year	\$ 20,409		\$ 157,523	
Grants received	64,563		25,000	
Amounts amortized to revenue	(39,932)		(162,114)	
Balance, end of year	\$ 45,040		\$ 20,409	

7. Due From (To) Funds

The balances due from (to) funds are unsecured, interest free, with no fixed terms of repayment.

Big Brothers Big Sisters of Waterloo Region Notes to Financial Statements

December 31, 2019

8. Obligation Under Capital Leases

	2019	2018
Obligation under a capital lease for a telephone system, with an implied interest at the rate of 0%, requiring monthly payments of \$330 maturing in November 2022, secured by specific equipment with a carrying value of \$11,395.	\$ 12,075	\$ 16,312
Current portion	(3,956)	(3,956)
Long-term portion of obligation	\$ 8,119	\$ 12,356

Future minimum lease payments under the capital lease for subsequent years are as follows:

2020	\$	3,956	
2021		3,956	
2022		4,163	
		12,075	
Less: imputed interest		-	
	\$	12,075	

9. Grant Revenue

Included in grant funding are the following:

	2019	2018
Federal government	\$ 20,785	\$ 20,238
Provincial government	50,200	58,200
Municipal government	8,800	7,500
Foundations, corporate and community	123,652	212,384
	\$ 203,437	\$ 298,322

10. Event Fundraising Revenue

During the year, the organization earned gross revenue of \$310,745 (2018 - \$298,109) on fundraising events.

Big Brothers Big Sisters of Waterloo Region Notes to Financial Statements

December 31, 2019

11. Internally Restricted Fund

The Board of Directors have approved to internally restrict a portion of the operating fund approximately equal to three months of operating expenses.

12. Kitchener and Waterloo Community Foundation

The organization has certain internally and externally restricted endowment assets which are held in trust at the Kitchener and Waterloo Community Foundation (KWCF). These assets are long-term investments held in a variety of common and preferred stocks, bonds, GICs and money market funds. The income component is comprised of interest and dividends earned on the capital investment and is available for distribution in the form of grants.

The internally restricted endowment fund was established through a contribution from Big Brothers Big Sisters of Waterloo Region to KWCF. The externally restricted endowment fund was created through a private donation to Big Brothers Big Sisters of Waterloo Region received by KWCF and is restricted for use in providing scholarships to eligible students in the community. The organization has access to any income and growth on the investments but the original capital contribution is restricted.

Should KWCF cease to exist, the organization would be entitled to receive the appropriate proportionate share of the market value of the investments of KWCF represented by the fund.

Value of Endowment funds

	<u>2019</u>	<u>2018</u>
Internally restricted endowment fund	\$ 68,805	\$ 62,545
Externally restricted endowment fund	<u>14,572</u>	<u>13,339</u>
	<u>\$ 83,377</u>	<u>\$ 75,884</u>
Income (loss) allocated during the year	<u>\$ 10,692</u>	<u>\$ (1,541)</u>
Grant disbursements during the year	<u>\$ 3,200</u>	<u>\$ 3,200</u>

Big Brothers Big Sisters of Waterloo Region Notes to Financial Statements

December 31, 2019

13. Commitments

The organization has operating leases for its office equipment and service contracts which expire in 2022.

The organization rents its premises in Cambridge and Kitchener under operating leases expiring in December 2019 and 2021, respectively.

The minimum annual lease payments under the term of the leases are as follows:

2020	\$	56,257
2021		57,291
2022		<u>2,755</u>
	\$	<u>116,303</u>

14. Uncertainty due to COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak"). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Big Brothers Big Sisters of Waterloo Region's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.

Big Brothers Big Sisters of Waterloo Region Notes to Financial Statements

December 31, 2019

15. Financial Instrument Risks

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. Financial instruments which potentially subject the organization to concentrations of credit risk consist of cash and short and long term investments. The organization has deposited the cash and investments with reputable financial institutions, from which management believes the risk of loss to be remote. The credit risk on accounts receivable is limited to its HST recoverable, which has a minimal risk.

Liquidity Risk

Liquidity risk is the risk that the organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the 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. Liquidity risk arises from accounts payable and accrued liabilities, capital lease obligation and commitments.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The organization is mainly exposed to interest rate risk and other price 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 organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The organization is exposed to this risk through its equity holdings within its investment portfolio.

**Big Brothers Big Sisters of Waterloo Region
Schedule 1 - Schedule of Operating Expenses**

For the year ended December 31	2019	2018
Advertising	\$ 3,460	\$ 6,323
Bank charges and interest	4,817	2,774
Insurance	22,075	21,628
IT expense	5,945	6,631
Maintenance	5,373	5,824
Membership fees	16,286	15,901
Occupancy costs	64,430	58,501
Office supplies	6,751	6,737
Professional fees	17,745	18,836
Program direct costs	28,968	41,431
Staff training, conference and membership	7,683	6,547
Telephone	7,200	7,587
Transportation	7,346	7,915
Wages and benefits - programs	512,500	489,262
Wages and benefits - administration	140,600	132,171
	\$ 851,179	\$ 828,068

Big Brothers Big Sisters of Waterloo Region Schedule 2 - Schedule of Scholarship & Restricted Funds

For the year ended December 31

	Dixon	Promise	Westmount	Trapp Bursary	Total 2019	Total 2018
Revenue						
Donations	\$ 5,000	\$ -	\$ 10,900	\$ -	\$ 15,900	\$ 19,100
Investment income	-	6,236	6,274	-	12,510	13,398
	5,000	6,236	17,174	-	28,410	32,498
Expenditures						
Scholarships	5,500	6,900	7,100	-	19,500	20,000
Excess (deficiency) of revenues over expenditures for the year before other items	(500)	(664)	10,074	-	8,910	12,498
Other items						
Gain (loss) on change in fair market value of investments	-	22,464	14,857	-	37,321	(23,890)
Investment management fees	-	(3,013)	(2,967)	-	(5,980)	(6,561)
Gain (loss) on disposal of investments	-	(944)	5,998	-	5,054	(4,479)
	-	18,507	17,888	-	36,395	(34,930)
Excess (deficiency) of revenues over expenditures for the year	(500)	17,843	27,962	-	45,305	(22,432)
Fund balances, beginning of year	8,500	178,104	223,512	6,056	416,172	438,604
Fund balances, end of year	\$ 8,000	\$ 195,947	\$ 251,474	\$ 6,056	\$ 461,477	\$ 416,172