

Financial Statements of

**BIG BROTHERS BIG
SISTERS OF LETHBRIDGE &
DISTRICT**

Year ended December 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Big Brothers Big Sisters of Lethbridge & District

We have audited the accompanying financial statements of Big Brothers Big Sisters of Lethbridge & District, which comprise the statement of financial position as at December 31, 2017, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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 private enterprises, 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.

Auditors' 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 our 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, we consider 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 audit opinion.



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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Big Brothers Big Sisters of Lethbridge & District as at December 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

KPMG LLP

Chartered Professional Accountants

Lethbridge, Canada

March 15, 2018

BIG BROTHERS BIG SISTERS OF LETHBRIDGE & DISTRICT

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 195,428	\$ 139,675
Accounts receivable	2,500	12,122
Goods and services tax recoverable	1,189	1,465
	<u>199,117</u>	<u>153,262</u>
Cash and investments not available for current operations (note 2)	200,000	200,000
Cash surrender value of life insurance	8,802	8,197
Capital assets (note 3):		
Capital assets	187,476	186,134
Less accumulated amortization	122,052	116,735
	<u>65,424</u>	<u>69,399</u>
	<u>\$ 473,343</u>	<u>\$ 430,858</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,813	\$ 9,066
Government remittances payable	4,991	5,147
Deferred revenue (note 4)	17,522	5,135
	<u>28,326</u>	<u>19,348</u>
Unamortized deferred capital contributions (note 5)	7,824	8,255
Net assets:		
Internally restricted (note 6)	200,000	200,000
Unrestricted	179,593	142,111
Invested in capital assets	57,600	61,144
	<u>437,193</u>	<u>403,255</u>
	<u>\$ 473,343</u>	<u>\$ 430,858</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

BIG BROTHERS BIG SISTERS OF LETHBRIDGE & DISTRICT

Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Contributions received (note 4):		
City of Lethbridge:		
Family and Community Support Services contract	\$ 85,300	\$ 82,800
Grants, foundations and charities	42,123	29,446
Interest income	3,632	4,965
Increase in cash surrender value of life insurance	605	601
Donations (note 7)	31,703	39,237
Amortization of external capital contributions	431	462
	<u>163,794</u>	<u>157,511</u>
Fundraising revenue (note 7)	267,517	281,987
Fundraising expenses (note 7)	<u>(56,164)</u>	<u>(69,316)</u>
	211,353	212,671
Expenses:		
Salaries and benefits	249,082	238,231
Board and staff development	4,726	6,280
Professional fees	7,944	7,893
Office and general	23,445	27,871
Repairs and maintenance	16,514	9,894
Membership fees	8,300	7,426
Utilities and telephone	7,563	6,737
Program expense	14,705	7,319
Education program	3,613	8,927
Bad debts	-	350
Amortization of capital assets	5,317	5,442
	<u>341,209</u>	<u>326,370</u>
Excess of revenue over expenses	\$ 33,938	\$ 43,812

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF LETHBRIDGE & DISTRICT

Statement of Changes in Net Assets

Year ended December 31, 2017, with comparative information for 2016

	Internally restricted	Unrestricted	Invested in capital assets	Total 2017	Total 2016
Balance, beginning of year	\$ 200,000	\$ 142,111	\$ 61,144	\$ 403,255	\$ 359,443
Excess of revenue over expenses	-	38,824	(4,886)	33,938	43,812
Capital assets funded internally	-	(1,342)	1,342	-	-
Balance, end of year	\$ 200,000	\$ 179,593	\$ 57,600	\$ 437,193	\$ 403,255

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF LETHBRIDGE & DISTRICT

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 33,938	\$ 43,812
Items not involving cash:		
Amortization of external capital contributions	(431)	(462)
Amortization of capital assets	5,317	5,442
Change in non-cash operating working capital:		
Accounts receivable	9,622	12,560
Goods and services tax recoverable	276	881
Prepaid expenses	-	1,000
Accounts payable and accrued liabilities	(3,253)	(6,834)
Government remittances payable	(156)	919
Deferred revenue	12,387	(4,280)
	<u>57,700</u>	<u>53,038</u>
Investing:		
Increase in cash surrender value of life insurance	(605)	(602)
Purchase of capital assets, with internal funds	(1,342)	(5,954)
	<u>(1,947)</u>	<u>(6,556)</u>
Increase in cash	55,753	46,482
Cash, beginning of year	139,675	93,193
Cash, end of year	<u>\$ 195,428</u>	<u>\$ 139,675</u>

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF LETHBRIDGE & DISTRICT

Notes to Financial Statements

Year ended December 31, 2017

Nature of operations:

Big Brothers Big Sisters of Lethbridge & District (the "Association") is a society incorporated under the laws of Alberta. Its principal activity is providing direct service to children by matching them to adult volunteers in quality mentoring relationships. The Association is a Registered Charity and accordingly is exempt from income taxes under the provisions of the Income Tax Act.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Association's significant accounting policies are as follows:

(a) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits, which are highly liquid or have original maturities of less than three months from the date of acquisition.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Association has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Association determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Association expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

BIG BROTHERS BIG SISTERS OF LETHBRIDGE & DISTRICT

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(c) Revenue recognition:

Fundraising revenue is recognized when the event has taken place.

The Association follows the deferral method of accounting for contributions. 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. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a declining balance basis, at a rate corresponding with the amortization rate for the related capital assets.

(d) Capital assets:

Capital assets are stated at cost, less accumulated amortization. Amortization is provided using the straight-line method and following annual rates:

Asset	Rate
Sign	10%
Building	5%
Computer and other equipment	30 - 45%

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the asset no longer has any long-term service potential to the Association. Any such impairment is measured by a comparison of the carrying amount of an asset to estimated residual value.

(e) Use of estimates:

The preparation of the 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts of capital assets. Actual results could differ from those estimates.

BIG BROTHERS BIG SISTERS OF LETHBRIDGE & DISTRICT

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(f) Donated goods and services:

The operation of the Association is dependent on services provided by volunteers. Due to the difficulty of determining their fair market value, donated goods and services are not recorded in the accounts.

2. Cash and investments:

The major components of cash and investments are as follows:

	2017	2016
Cash in bank	\$ 93,352	\$ 81,231
Cash in savings, with effective interest of 1.10% (2016 - 1.10%)	147,159	51,796
Guaranteed Investment Certificate with effective interest rate of 1.80%, at cost, due March, 2018	25,450	25,350
Guaranteed Investment Certificate with effective interest of 2.07%, at cost, due November, 2019	78,141	76,874
Guaranteed Investment Certificate with effective interest of 0.85 %, at cost, due July, 2018	51,326	50,711
Guaranteed Investment Certificate	-	53,713
	395,428	339,675
Less cash and investments not available for current operations	(200,000)	(200,000)
Cash and cash equivalents	\$ 195,428	\$ 139,675

BIG BROTHERS BIG SISTERS OF LETHBRIDGE & DISTRICT

Notes to Financial Statements (continued)

Year ended December 31, 2017

3. Capital assets:

			2017		2016	
	Cost	Accumulated amortization	Net book value	Net book value		
Land	\$ 24,800	\$ -	\$ 24,800	\$ 24,800		
Building	93,063	66,546	26,517	27,913		
Sign	8,615	1,986	6,629	7,366		
Computer and other equipment	60,998	53,520	7,478	9,320		
	\$ 187,476	\$ 122,052	\$ 65,424	\$ 69,399		

BIG BROTHERS BIG SISTERS OF LETHBRIDGE & DISTRICT

Notes to Financial Statements (continued)

Year ended December 31, 2017

4. Deferred revenue and deferred capital contributions:

Deferred revenue relate to expenses for future periods representing unspent grants and contributions for projects and programs. Deferred capital contributions relate to unspent contributions received for capital asset purchases.

	2017	2016
Balance, beginning of year	\$ 5,135	\$ 9,415
Add contributions and grants received or receivable in the year:		
Operating:		
City of Lethbridge	85,300	82,800
United Way	11,010	15,166
Teen mentorship:		
Rogers Communications Canada	25,000	-
Canadian Western Bank	7,500	-
Lethbridge School District No. 51	5,000	4,000
Holy Spirit Roman Catholic Separate Regional Division No. 4	3,500	3,500
Education Program:		
Lethbridge Community Foundation	2,500	2,500
	139,810	107,966
Less amounts recognized as revenue during the year	(127,423)	(112,246)
	\$ 17,522	\$ 5,135

At the year end, the deferred revenue balance includes:

	2017	2016
Lethbridge Community Foundation - Education Program	\$ 5,022	\$ 5,135
Rogers Communications Canada - Teen Mentorship, Game On and Go Girls	12,500	-
	\$ 17,522	\$ 5,135

At December 31, 2017 and December 31, 2016 there were no deferred capital contributions.

BIG BROTHERS BIG SISTERS OF LETHBRIDGE & DISTRICT

Notes to Financial Statements (continued)

Year ended December 31, 2017

5. Unamortized deferred capital contributions:

Unamortized deferred capital contributions represent the unamortized portion of external contributions received and spent on capital projects. Changes in unamortized external capital contributions are as follows:

	2017		2016	
Balance beginning of year	\$	8,255	\$	8,717
Less amounts recognized as revenue		(431)		(462)
	\$	7,824	\$	8,255

6. Net assets internally restricted:

The Association has internally restricted \$200,000 for future capital projects. The restricted amounts are not available for other purposes without approval by the Board of Directors.

7. Donations and fundraising:

a) Donations:

Included in donations is \$nil in Campaign donation (2016 - \$5,641) and \$16,700 of Corporate donations from two companies (2016 - \$17,075 from three companies).

b) Fundraising:

Event	Revenue	Expense	2017 Net	2016 Net
Bowl for Kids Sake	\$ 55,095	\$ 8,388	\$ 46,707	\$ 40,918
Golf for Kids Sake	101,185	18,554	82,631	77,169
BIG Gala	100,515	28,280	72,235	63,904
Casino	-	-	-	30,101
Other fundraising	10,722	942	9,780	579
	\$ 267,517	\$ 56,164	\$ 211,353	\$ 212,671

BIG BROTHERS BIG SISTERS OF LETHBRIDGE & DISTRICT

Notes to Financial Statements (continued)

Year ended December 31, 2017

8. Other:

The Lethbridge Community Foundation owns an endowment for which the Association will receive investment income earned on the endowment contributions of \$10,000. To date, the endowment owned by the Lethbridge Community Foundation is \$5,273 (2016 - \$4,659).

9. Related party transactions

During the year, the Association paid \$8,300 (2016 - \$7,426) to Big Brothers Big Sisters of Canada for annual membership dues and licenses.

This transaction is in the normal course of operations and is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. Financial risks and concentration of risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Association is exposed to credit risk with respect to its accounts receivable and has processes in place to monitor accounts receivable balances. There has been no change to the risk of exposure from 2016.

(b) Liquidity risk:

Liquidity risk is the risk that the Association will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Association manages its liquidity risk by monitoring its operating requirements. There has been no change to the risk exposure from 2016.

(c) Interest rate risk:

The Association is exposed to interest rate risk on its fixed interest rate financial instruments. Further details about the fixed rate investments are included in note 2. There has been no change to interest rate risk exposure from 2016.