

**Big Brothers Big Sisters of
Canada Les Grands Frères
Grandes Soeurs du Canada**

Financial Statements
December 31, 2014



April 16, 2015

Independent Auditor's Report

**To the Members of
Big Brothers Big Sisters of Canada Les Grands Frères Grandes Soeurs du Canada**

We have audited the accompanying financial statements of Big Brothers Big Sisters of Canada Les Grands Frères Grandes Soeurs du Canada, which comprise the statement of financial position as at December 31, 2014 and the statements of operations, changes in accumulated net surplus and cash flows for the year then ended, and the related notes, which comprise 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 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 Canada Les Grands Frères Grandes Soeurs du Canada as at December 31, 2014 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Big Brothers Big Sisters of Canada
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Statement of Financial Position

As at December 31, 2014

	2014 \$	2013 \$
Assets		
Current assets		
Cash and cash equivalents	172,312	86,079
Short-term investment (note 2)	218,213	215,245
Accounts receivable (note 8)	154,453	284,145
Prepaid expenses	22,065	28,269
	567,043	613,738
Restricted assets		
Cash and cash equivalents - self-insurance retention (note 11)	220,000	-
Cash and cash equivalents	582,748	561,859
Accounts receivable	114,262	352,545
	917,010	914,404
Capital assets (note 3)	11,467	35,986
Intangible asset (note 4)	5,088	10,856
	1,500,608	1,574,984
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (notes 8 and 9)	153,565	165,450
Deferred contributions (note 5)	697,010	894,404
Self-insurance retention (note 11)	220,000	-
	1,070,575	1,059,854
Net Assets		
Endowment fund (note 8)	-	20,000
Unrestricted net surplus	430,033	495,130
	430,033	515,130
	1,500,608	1,574,984

Operating lease commitments (note 7)

Approved by the Board

_____ Chair

_____ Treasurer

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

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Statement of Operations

For the year ended December 31, 2014

	2014 \$	2013 \$
Revenues		
Agency fees	983,063	1,079,866
Fundraising	846,578	1,054,283
General donations and other	378,756	385,843
Interest and investment income	11,851	13,095
Restricted and assigned revenues (note 5)	3,002,545	2,887,069
	<u>5,222,793</u>	<u>5,420,156</u>
Expenses		
Agency services (note 6)	1,460,660	1,746,629
Amortization of capital assets	27,956	20,909
Amortization of intangible asset	11,874	16,722
Board operations	52,111	105,323
Distributions to agencies	101,319	45,313
Fundraising	50,718	110,721
Office operations (note 6)	580,707	563,958
Restricted and assigned (note 5)	3,002,545	2,886,939
	<u>5,287,890</u>	<u>5,496,514</u>
Deficiency of revenues over expenses for the year	<u>(65,097)</u>	<u>(76,358)</u>

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

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Statement of Changes in Accumulated Net Surplus

For the year ended December 31, 2014

	2014			
	Unrestricted net surplus \$	Restricted and assigned projects \$	Endowment fund \$	Total \$
Balance - Beginning of year	495,130	-	20,000	515,130
Endowment fund transfer	-	-	(20,000)	(20,000)
Deficiency of revenues over expenses for the year	(65,097)	-	-	(65,097)
Balance - End of year	430,033	-	-	430,033
	2013			
	Unrestricted net surplus \$	Restricted and assigned projects \$	Endowment fund \$	Total \$
Balance - Beginning of year	571,488	-	20,000	591,488
Deficiency of revenues over expenses for the year	(76,488)	130	-	(76,358)
Interfund transfers	130	(130)	-	-
Balance - End of year	495,130	-	20,000	515,130

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

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Statement of Cash Flows

For the year ended December 31, 2014

	2014 \$	2013 \$
Cash provided by (used in)		
Operating activities		
Deficiency of revenues over expenses for the year	(65,097)	(76,358)
Items not affecting cash		
Amortization of capital assets	27,956	28,118
Amortization of intangible asset	11,874	16,722
	(25,267)	(31,518)
Change in non-cash working capital balances (note 10)	384,900	(228,700)
	<u>359,633</u>	<u>(260,218)</u>
Investing activities		
Purchase of intangible asset	(6,106)	(1,323)
Purchase of capital assets	(3,437)	(17,065)
Purchase of short-term investment	(218,213)	(215,245)
Maturity of short-term investment	215,245	215,222
Endowment fund transfer	(20,000)	-
	<u>(32,511)</u>	<u>(18,411)</u>
Increase (decrease) in cash and cash equivalents during the year	327,122	(278,629)
Cash and cash equivalents - Beginning of year	647,938	926,567
Cash and cash equivalents - End of year	<u>975,060</u>	<u>647,938</u>
Cash and cash equivalents comprise		
Unrestricted	172,312	86,079
Restricted	802,748	561,859
	<u>975,060</u>	<u>647,938</u>

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

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1 Purpose of organization

Big Brothers Big Sisters of Canada Les Grands Frères Grandes Soeurs du Canada (the Organization) is a national organization providing services to its member agencies in support of local mentoring programs for boys and girls across Canada. The Organization is incorporated under the Canada Corporations Act as a not-for-profit organization and is registered as a charity under the Income Tax Act.

2 Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and reflect the following accounting policies.

Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Agency fees are recognized as revenue when received or receivable. Unrestricted contributions are recognized as revenue on receipt. Contributions for specific projects are recorded as deferred contributions when received or receivable and recognized as revenue when the related expense is incurred. Contributions for the purchase of capital assets are deferred and recorded as revenue over the useful life of the acquired asset. Donations of investments which, due to external restrictions, cannot be used to fund current expenses are recorded as deferred contributions on receipt and recognized as revenue when the external restriction is fulfilled. Pledges are recognized as revenue when the amount or value of the pledge is reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as direct increases in net assets and are restricted as to their use and are held in perpetuity. Restricted investment income from endowments is accounted for in the same manner as deferred contributions.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks and a highly liquid short-term investment.

Short-term investment

The short-term investment consists of a guaranteed investment certificate earning interest of 1.6% maturing on December 8, 2015.

Investment

In 1998, the Organization received as a donation 8,764 units of the Northern Star Hedge Fund, a closed-end investment trust consisting of 71,216 units. When the units were received, they were recorded at their fair value of \$1,000 per unit. The units cannot be redeemed until 2019, at which time the hedge fund will be terminated and the Organization will receive its pro rata share of the net assets of the hedge fund. The Organization is

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entitled to receive annual distributions from the hedge fund equal to 90% of the Organization's pro rata share of the net income of the hedge fund.

The Organization wrote down the investment in the hedge fund to \$nil in previous years to reflect the uncertainty of the ultimate outcome of the hedge fund's performance. Any distributions realized on this investment will be recorded as revenue on receipt.

Donations-in-kind

Donations-in-kind are recorded at fair value on receipt, with the exception of donated services. The Organization does not record the value of donated services unless the fair value can be reasonably estimated and the services are normally purchased by the Organization and would be paid for if not donated.

Capital assets

Capital assets purchased by the Organization are recorded at cost. Capital assets donated to the Organization are recorded at fair value at the date of contribution. Amortization of capital assets is provided for using the straight-line method over the assets' estimated useful lives as follows:

Computer equipment	5 years
Furniture and fixtures	5 years
Leasehold improvements	straight-line over period of lease

Intangible asset

The intangible asset consists of costs incurred to develop the website. The intangible asset is stated at fair value and is amortized over three years, which represents its estimated useful life.

Self-insurance retention

The Organization self-insures itself and its member agencies for potential liabilities related to sexual misconduct, property damage or other claims to a maximum amount of \$250,000, as stipulated by its insurance policy coverage. The Organization obtains funds from its member agencies in order to reserve this balance and recognizes the potential future liability for each fiscal year.

Allocation of expenses

The Organization engages in general administration and agency support. The costs of agency support include the costs of personnel that are directly related to providing the programs. The Organization allocates certain of its personnel expenses by identifying the appropriate basis of allocating each component expense, and applies that basis consistently each year. Corporate governance and general management expenses are not allocated.

The salary and benefits costs of the Burlington National Office staff are allocated to agency support based on average time spent related to agency support services.

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Financial instruments

Financial assets and liabilities are recognized when the Organization becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are derecognized when the rights and obligations to receive or repay cash flows from the assets and liabilities have expired or have been transferred and the Organization has transferred substantially all the risks and rewards of ownership.

The Organization initially measures all its financial assets and financial liabilities at fair value and subsequently at amortized cost except for short-term investments, which are recorded at fair value. Changes in fair value are recognized in the statement of operations. Financial assets are tested for impairment at the end of each reporting period when there are indicators the assets may be impaired.

Use of estimates

The preparation of financial statements in conformity 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 revenues and expenses for the reporting period. Actual results could differ from those estimates. The estimates are reviewed periodically and as adjustments become necessary, they are reported in deficiency of revenues over expenses in the period in which they become known.

3 Capital assets

	2014		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Computer equipment	164,681	161,588	3,093
Furniture and fixtures	5,463	5,463	-
Leasehold improvements	26,835	18,461	8,374
	<u>196,979</u>	<u>185,512</u>	<u>11,467</u>
Equipment purchased with restricted funds	<u>68,103</u>	<u>68,103</u>	<u>-</u>
			2013
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Computer equipment	161,244	136,316	24,928
Furniture and fixtures	5,463	5,463	-
Leasehold improvements	26,835	15,777	11,058
	<u>193,542</u>	<u>157,556</u>	<u>35,986</u>
Equipment purchased with restricted funds	<u>68,103</u>	<u>68,103</u>	<u>-</u>

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4 Intangible asset

	2014		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Website costs	63,455	58,367	5,088

	2013		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Website costs	57,349	46,493	10,856

5 Deferred contributions

Deferred contributions represent externally restricted unspent resources received in the current and prior years that relate to a subsequent period. Changes in the deferred contributions balance are as follows:

	2014	2013
	\$	\$
Balance - Beginning of year	894,404	719,289
Less		
Amounts recognized as revenue in the year	(3,002,545)	(2,886,939)
Amounts recognized as revenue through transfer to operating funding	-	(130)
Add: Amounts received in the year	2,805,151	3,062,184
Balance - End of year	697,010	894,404

Included in amounts recognized as revenue in the year is \$nil (2013 - \$7,209) to match the amortization expense recorded on the assets purchased with the restricted contributions.

6 Allocation of expenses

Salary and benefit expenses reported in the statement of operations total \$1,369,609 (2013 - \$1,397,362). An allocation of \$1,027,207 (2013 - \$1,048,022) has been made to agency services with \$342,402 (2013 - \$349,340) included in office operations.

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7 Operating lease commitments

The Organization has operating lease commitments for its premises and certain office equipment. The minimum rental payments for the next five years are as follows:

	\$
2015	59,563
2016	57,570
2017	57,547
2018	53,598
2019	49,131
	<hr/>
	277,409
	<hr/>

8 Related party transactions and balances

The Big Brothers Big Sisters Foundation (the Foundation) is incorporated under the laws of the Province of Ontario as a not-for-profit organization and is a registered charity under the Income Tax Act (Canada). The Foundation has been created to support the advancement and enhancement of the mentoring of children and youth in Canada. The Organization and the Foundation have certain common board of directors' members.

During the year, the Organization transferred its Endowment fund in the amount of \$20,000 to the Foundation. As of year-end, the Organization has the following related party balances with the Foundation:

	2014	2013
	\$	\$
Included in accounts receivable		
Due from the Big Brothers Big Sisters of Canada		
Foundation	667	3,485
Included in accounts payable and accrued liabilities		
Due to the Big Brothers Big Sisters of Canada Foundation	-	10,000

All related party transactions and balances are in the normal course of operations, unsecured, non-interest bearing and have no set repayment terms.

In 2014, there were no payments for products or services to board members or companies in which a board member is an owner, partner or senior manager.

9 Government remittances

Government remittances consist of amounts (such as payroll withholding taxes) required to be paid to government authorities and are recognized when the amounts come due. As at December 31, 2014, government remittances to the federal and provincial governments included in accounts payable and accrued liabilities amounted to \$7,793 (2013 - \$6,049). These amounts are not in arrears.

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10 Change in non-cash working capital balances

	2014 \$	2013 \$
Accounts receivable	367,975	(296,629)
Prepaid expenses	6,204	(8,337)
Accounts payable and accrued liabilities	(11,885)	(98,849)
Deferred contributions	(197,394)	175,115
Self-insurance retention	220,000	-
	<hr/> 384,900	<hr/> (228,700)

11 Self-insurance retention

During the year, the Organization changed its insurance policy to include a combination of insurance and self-insurance mechanisms to provide for potential liabilities for sexual misconduct, property damage and other liabilities. Liabilities associated with the risks that are retained by the Organization are not discounted and are estimated, in part, by considering current and historical claims. The estimated accrual for these liabilities could be affected if the future occurrences and claims differ from the assumptions and historical trends. For the year ended December 31, 2014, the self-insurance liability is estimated to be \$220,000.

12 Financial risk management

Risk management

Management has established policies and procedures to manage risks relating to financial instruments, with the objective of minimizing any adverse effects on financial performance. A brief description of management's assessment of these risks is as follows:

- General objectives, policies and processes

The Board and management are responsible for the determination of the Organization's risk management objectives and policies and for designing operating processes that ensure the effective implementation of these objectives and policies. In general, the Organization measures and monitors risk through the preparation and review of monthly reports by management.

- Credit risk

Credit risk is the risk a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Organization.

Financial instruments potentially exposed to credit risk include cash and cash equivalents, the short-term investment and accounts receivable. Management considers its exposure to credit risk over cash and cash equivalents to be remote as the Organization holds its cash and cash equivalents deposits with two major Canadian banks. Credit risk relating to the short-term investment is also considered remote as it is a fixed

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income security issued by a major Canadian financial institution. Accounts receivable are not concentrated significantly; therefore their carrying amount represents the maximum credit risk exposure.

- Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

Interest rate risk arises when the Organization invests in interest bearing financial instruments. The Organization is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is minimal sensitivity to interest rate fluctuations on any cash and cash equivalents or the short-term investment invested at short-term market interest rates.

- Liquidity risk

Liquidity risk is defined as the risk the Organization may not be able to settle or meet its obligations as they come due.

The Organization has taken steps to ensure it will have sufficient working capital available to meet its obligations.

- Other price risk

Other price risk is the risk the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices.

The Organization does not hold any financial instruments whose fair values are affected by changes in market prices; therefore management does not believe it is exposed to other price risk.



April 16, 2015

Additional Comments of Auditor

The accompanying schedule of deferred contributions is presented as supplementary information only. In this respect, the schedule does not form part of the financial statements of Big Brothers Big Sisters of Canada Les Grands Frères Grandes Soeurs du Canada (the Organization) for the year ended December 31, 2014 and, hence, is excluded from the opinion expressed in our report dated April 16, 2015 to the Members on such financial statements. The information in the schedule has been subject to audit procedures only to the extent necessary to express an opinion on the financial statements of the Organization and, in our opinion, is fairly presented in all respects material to those financial statements.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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Schedule of Deferred Contributions

For the year ended December 31, 2014

	Balance - January 1, 2014 \$	Receipts \$	Disbursements \$	Balance - December 31, 2014 \$
Deferred contributions				
Avon Canada	80,800	-	(78,400)	2,400
Child Safety/Volunteer Training	73,528	-	(22,219)	51,309
Feasibility and Alumni Fund	5,139	-	-	5,139
Invesco Bowl For Kids Sake	27,605	40,915	(37,598)	30,922
MasterCard - ISM	39,823	761	(40,584)	-
Research & Trends	14,587	15,000	(3,928)	25,659
Dynamics Futures Fund	8,725	23,353	(13,598)	18,480
ESDC - Northern Communities	207,675	-	(113,952)	93,723
Bank of Montreal	35,000	35,000	(35,000)	35,000
ESDC - Mentors@Work study	22,332	-	-	22,332
Citizenship & Immigration Canada (CIC)	93,879	335,122	(341,889)	87,112
Carthy Foundation	85,551	50,000	(77,870)	57,681
Ontario Ministry of Education - 2013/14	20,206	900,000	(920,206)	-
Ontario Ministry of Education - 2014/15	-	750,000	(751,216)	(1,216)
Mentoring North	18,054	-	(510)	17,544
Boston Pizza	50,000	250,000	(220,000)	80,000
Keg - Dynamics Upgrade	70,000	70,000	(40,378)	99,622
RBC - Conversation Club	21,500	80,000	(63,192)	38,308
Standard Life	-	150,000	(150,000)	-
TD - Diverse Communities	20,000	-	(20,000)	-
DreamCatcher Mentoring	-	50,000	(46,870)	3,130
Boston Pizza Expansion	-	50,000	(25,000)	25,000
Can. Women's Found./Ont Ment Co	-	5,000	(135)	4,865
	894,404	2,805,151	(3,002,545)	697,010