

Financial Statements of

**BIG BROTHERS BIG SISTERS OF
CANADA/LES GRANDS FRÈRES
GRANDES SOEURS DU CANADA**

Year ended December 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Members of Big Brothers Big Sisters of Canada/
Les Grands Frères Grandes Sœurs du Canada

We have audited the accompanying financial statements of Big Brothers Big Sisters of Canada/Les Grands Frères Grandes Sœurs du Canada, 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 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.

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 Canada/Les Grands Frères Grandes Sœurs du Canada 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 not-for-profit organizations.

Comparative Information

The financial statements of Big Brothers Big Sisters of Canada/Les Grands Frères Grandes Sœurs du Canada as at and for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 1, 2017.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 24, 2018
Vaughan, Canada

BIG BROTHERS BIG SISTERS OF CANADA/ LES GRANDS FRÈRES GRANDES SOEURS DU CANADA

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 224,139	\$ 124,202
Restricted cash and cash equivalents and short-term investments - self-insured retention (note 2)	318,361	318,361
Short-term investments (note 3)	465,069	301,701
Accounts receivable (notes 4 and 10)	178,162	1,484,868
Prepaid expenses	7,507	7,514
	<u>1,193,238</u>	<u>2,236,646</u>
Investments (note 3)	225,173	215,131
Capital assets (note 5)	8,720	12,591
	<u>\$ 1,427,131</u>	<u>\$ 2,464,368</u>


Liabilities and Net assets

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 136,201	\$ 215,574
Deferred contributions (note 7)	246,612	1,205,796
Self-insured retention (note 2)	318,361	318,361
	<u>701,174</u>	<u>1,739,731</u>
Net assets:		
Unrestricted	545,173	724,637
Internally restricted (note 8)	180,784	-
	<u>725,957</u>	<u>724,637</u>
Operating lease commitments (note 11)		
Contingencies (note 13)		
	<u>\$ 1,427,131</u>	<u>\$ 2,464,368</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Chair

 Treasurer

BIG BROTHERS BIG SISTERS OF CANADA/ LES GRANDS FRÈRES GRANDES SOEURS DU CANADA

Statement of Operations

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

	2017	2016
Revenue:		
Agency fees	\$ 1,025,290	\$ 1,073,978
Corporate donations (note 1(e))	1,831,386	1,329,687
Government funding	2,816,973	1,692,142
General donations and other	217,076	136,489
Interest and investment income	13,123	12,389
	<u>5,903,848</u>	<u>4,244,685</u>
Expenses:		
Agency services (notes 1(e) and 9)	2,221,511	2,084,840
Amortization of capital assets	11,977	4,227
Board operations	22,917	38,400
Distributions to agencies	2,997,883	1,576,835
Fundraising	15,659	16,150
Office operations (notes 1(e) and 9)	632,581	616,074
	<u>5,902,528</u>	<u>4,336,526</u>
Excess (deficiency) of revenue over expenses	\$ 1,320	\$ (91,841)

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF CANADA/ LES GRANDS FRÈRES GRANDES SOEURS DU CANADA

Statement of Changes in Net Assets

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

			2017	2016
	Unrestricted	Internally restricted (note 8)	Total	Total
Balance, beginning of year	\$ 724,637	\$ –	\$ 724,637	\$ 816,478
Transfer to internally restricted	(180,784)	180,784	–	–
Excess (deficiency) of revenue over expenses	1,320	–	1,320	(91,841)
Balance, end of year	\$ 545,173	\$ 180,784	\$ 725,957	\$ 724,637

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF CANADA/ LES GRANDS FRÈRES GRANDES SOEURS DU CANADA

Statement of Cash Flows

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

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 1,320	\$ (91,841)
Amortization of capital assets which does not involve cash	11,977	4,227
	13,297	(87,614)
Change in non-cash operating working capital:		
Accounts receivable	1,306,706	(1,132,368)
Prepaid expenses	7	1,157
Accounts payable and accrued liabilities	(79,373)	(14,073)
Deferred contributions	(959,184)	718,918
Self-insured retention	—	(60,607)
	281,453	(574,587)
Financing activities:		
Purchase of capital assets	(8,106)	(7,592)
Purchase of short-term investments	(673,705)	(620,062)
Purchase of long-term investments	(125,151)	(215,131)
Maturity of short-term investments	625,446	531,243
	(181,516)	(311,542)
Increase (decrease) in cash and cash equivalents	99,937	(886,129)
Cash and cash equivalents, beginning of year	124,202	1,010,331
Cash and cash equivalents, end of year	\$ 224,139	\$ 124,202
Cash and cash equivalents comprise:		
Unrestricted	\$ 224,139	\$ 124,202
Restricted	318,361	318,361

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF CANADA/ LES GRANDS FRÈRES GRANDES SOEURS DU CANADA

Notes to Financial Statements

Year ended December 31, 2017

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 children and youth across Canada. The Organization was incorporated under the Canada Corporations Act by letters patent on December 15, 1964 as a corporation without share capital and was legally continued under the Canada Not-for-Profit Corporations Act on August 27, 2014.

The Organization is registered under the Income Tax Act (Canada) (the "Act") effective January 1, 1967 and as such is exempt from Canadian income taxes and is able to issue donation receipts for income tax purposes under registration number 118808740 RR0001.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations by management in Part III of The Chartered Professional Accountants of Canada Handbook.

(a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions, which include agency fees, corporate donations, government funding and general and other donations.

Agency fees are recognized as revenue when received or receivable. Unrestricted contributions are recognized as revenue on receipt or when receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. 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 estimated 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.

BIG BROTHERS BIG SISTERS OF CANADA/ LES GRANDS FRÈRES GRANDES SOEURS DU CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months at the date of acquisition. These financial assets are convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(c) Short-term investments:

The short-term investments consist of term deposits with original maturities shorter than one year at the date of acquisition.

(d) 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 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.

(e) Donations in-kind:

Contributed goods and services are recognized when fair value can be reasonably estimated, and when the goods and services are used in the normal course of the operations, and would otherwise have been purchased.

BIG BROTHERS BIG SISTERS OF CANADA/ LES GRANDS FRÈRES GRANDES SOEURS DU CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(f) 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:

Asset	Rate
Computer equipment	5 years
Furniture and fixtures	5 years
Leasehold improvements	Straight-line over period of lease

(g) 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 agency support services. 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 National Office staff are allocated to agency support based on average time spent related to agency support services.

(h) 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.

BIG BROTHERS BIG SISTERS OF CANADA/ LES GRANDS FRÈRES GRANDES SOEURS DU CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

Financial instruments are recorded at fair value on initial recognition and subsequently at amortized cost except for investments, which are recorded at fair value. Changes in fair value are recognized in the statement of operations.

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 Organization determines whether 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: (i) the present value of the expected cash flows; (ii) the amount that could be realized from selling the financial asset; or (iii) the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value. Impairments are recognized through the use of an allowance account, with a corresponding charge in the statement of operations.

(i) Use of estimates:

The preparation of financial statements 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. Actual results could differ from those estimates.

BIG BROTHERS BIG SISTERS OF CANADA/ LES GRANDS FRÈRES GRANDES SOEURS DU CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Restricted cash and cash equivalents and short-term investments - self-insured retention:

The Organization's insurance policy includes a self-insured retention portion, which is a type of deductible. As at December 31, 2017, the Organization has received \$318,681 (2016 - \$318,681) from member agencies in order to reserve for this balance. Based on the claims outstanding as at December 31, 2017, it is estimated that an amount up to \$393,000 (2016 - \$393,000) may be payable to the insurance company in respect of the self-insured retention. Actual results and liabilities may vary based on the settlement of each case.

The amount of restricted cash and cash equivalents and restricted short-term investments for the self-insured retention is as follows:

	2017	2016
Cash and cash equivalents	\$ 318,361	\$ —
Short-term investments	—	318,361
	\$ 318,361	\$ 318,361

3. Short and long-term investments:

Investments consist of the following:

	2017	2016
Short-term investments:		
Guaranteed investment certificates due within one year, bearing interest at 1.3% to 1.5% (2016 - 0.95% to 1.35%)	\$ 465,069	\$ 301,701
Long-term investments:		
Guaranteed investment certificates due in a period exceeding one year, bearing interest at 1.7% to 2.0% (2016 - 1.46% to 1.70%)	225,173	215,131

BIG BROTHERS BIG SISTERS OF CANADA/ LES GRANDS FRÈRES GRANDES SOEURS DU CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2017

4. Accounts receivable:

	2017	2016
Accounts receivable	\$ 194,205	\$ 1,499,732
Allowance for doubtful accounts	(16,043)	(14,864)
	\$ 178,162	\$ 1,484,868

Included in accounts receivable is nil (2016 - \$900,000) due from the Ontario Ministry of Education as at year end.

5. Capital assets:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 184,106	\$ 175,519	\$ 8,587	\$ 9,774
Furniture and equipment	5,463	5,463	-	-
Leasehold improvements	27,036	26,903	133	2,817
	\$ 216,605	\$ 207,885	\$ 8,720	\$ 12,591

6. 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, 2017, government remittances to the federal and provincial governments included in accounts payable and accrued liabilities amounted to nil (2016 - \$673). These amounts are not in arrears.

BIG BROTHERS BIG SISTERS OF CANADA/ LES GRANDS FRÈRES GRANDES SOEURS DU CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2017

7. 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:

	2017	2016
Balance, beginning of year	\$ 1,205,796	\$ 486,878
Amounts recognized as revenue in the year	(3,382,732)	(2,228,028)
Amounts received in the year	2,423,548	2,946,946
Balance, end of year	\$ 246,612	\$ 1,205,796

8. Internally restricted:

Restrictions of the General Fund have been established by the Board of Directors. These funds have been earmarked to respond to economic downturns, or other unforeseen circumstance that would require immediate funding. Internally restricted funds are not available for other purposes without approval of the Board of Directors.

9. Allocation of expenses:

Salary and benefit expenses reported in the statement of operations total \$1,425,398 (2016 - \$1,397,371). An allocation of \$1,069,048 (2016 - \$1,048,028) has been made to agency services with \$356,350 (2016 - \$349,343) included in office operations.

BIG BROTHERS BIG SISTERS OF CANADA/ LES GRANDS FRÈRES GRANDES SOEURS DU CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2017

10. Related party transactions and balance:

The Big Brothers Big Sisters of Canada Foundation (the "Foundation") is a trust under the laws of the Province of Ontario as a not-for-profit organization and is a registered charity under the Act. 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.

As at year end, the Organization has the following related party balances with the Foundation:

	2017	2016
Included in accounts receivable:		
Due from the Foundation	\$ 4,044	\$ 1,225

All related party transactions and balances are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Amounts due from the Foundation are unsecured, non-interest bearing and have no set repayment terms.

In 2017, 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.

11. Operations lease commitments:

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

2018	\$ 54,859
2019	50,392
2020	1,261
2021	1,261
	\$ 107,773

BIG BROTHERS BIG SISTERS OF CANADA/ LES GRANDS FRÈRES GRANDES SOEURS DU CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2017

12. Financial 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:

(a) General objectives, policies and processes:

Management is 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.

(b) 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 investments 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 term deposits in short-term investments is also considered remote as they are fixed income securities issued by a major Canadian financial institution. Accounts receivable are not concentrated significantly, therefore, their carrying amount represents the maximum credit risk exposure.

(c) 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 investments invested at short-term market interest rates.

BIG BROTHERS BIG SISTERS OF CANADA/ LES GRANDS FRÈRES GRANDES SOEURS DU CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2017

12. Financial risk management (continued):

(d) 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.

It is management's opinion that the Organization is not exposed to foreign currency or other market risks.

13. Contingencies:

The Organization may, from time to time, be subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. Management believes adequate provisions have been made in the accounts where required and the ultimate resolution of such contingencies will not have a material adverse effect on the financial position of the Organization. Any amounts in settlement of claims in excess of the recorded provisions will be charged to the statement of operations in the year of the claim.

14. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.