

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

Financial Statements
December 31, 2015



May 12, 2016

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, 2015 and the statements of operations, changes in net assets 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 in our audit 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 Soeurs du Canada as at December 31, 2015 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

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Statement of Financial Position

As at December 31, 2015

	2015 \$	2014 \$
Assets		
Current assets		
Cash and cash equivalents	631,363	646,391
Restricted cash and cash equivalents - self-insured retention (note 11)	378,968	220,000
Short-term investments (note 2)	531,243	326,882
Accounts receivable (note 8)	352,500	268,715
Prepaid expenses	8,671	22,065
	1,902,745	1,484,053
Capital assets (note 3)	9,226	11,467
Intangible asset (note 4)	-	5,088
	1,911,971	1,500,608
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	229,647	153,565
Deferred contributions (note 5)	486,878	697,010
Self-insured retention (note 11)	378,968	220,000
	1,095,493	1,070,575
Net Assets		
Unrestricted	816,478	430,033
	1,911,971	1,500,608
Operating lease commitments (note 7)		
Contingencies (note 13)		

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, 2015

	2015 \$	2014 \$
Revenues		
Agency fees	1,055,443	983,063
Fundraising	1,170,931	846,578
General donations and other	394,424	378,756
Interest and investment income	10,657	11,851
Restricted and assigned revenues (note 5)	2,797,797	3,002,545
	<u>5,429,252</u>	<u>5,222,793</u>
Expenses		
Agency services (note 6)	1,413,846	1,460,660
Amortization of capital assets	6,169	27,956
Amortization of intangible asset	5,088	11,874
Board operations	36,396	52,111
Distributions to agencies	216,107	101,319
Fundraising	15,441	50,718
Office operations (note 6)	551,963	580,707
Restricted and assigned (note 5)	2,797,797	3,002,545
	<u>5,042,807</u>	<u>5,287,890</u>
Excess (deficiency) of revenues over expenses for the year	<u>386,445</u>	<u>(65,097)</u>

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

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Statement of Changes in Net Assets

For the year ended December 31, 2015

	2015		
	Unrestricted net assets \$	Endowment fund \$	Total \$
Balance - Beginning of year	430,033	-	430,033
Excess of revenues over expenses for the year	386,445	-	386,445
Balance - End of year	816,478	-	816,478
	2014		
	Unrestricted net assets \$	Endowment fund \$	Total \$
Balance - Beginning of year	495,130	20,000	515,130
Inter-fund transfers	-	(20,000)	(20,000)
Deficiency of revenues over expenses for the year	(65,097)	-	(65,097)
Balance - End of year	430,033	-	430,033

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, 2015

	2015 \$	2014 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenses for the year	386,445	(65,097)
Items not affecting cash		
Amortization of capital assets	6,169	27,956
Amortization of intangible asset	5,088	11,874
	<u>397,702</u>	<u>(25,267)</u>
Change in non-cash working capital balances (note 10)	(45,473)	384,900
	<u>352,229</u>	<u>359,633</u>
Investing activities		
Purchase of intangible asset	-	(6,106)
Purchase of capital assets	(3,928)	(3,437)
Purchase of short-term investment	(531,243)	(326,882)
Maturity of short-term investment	326,882	322,175
Endowment fund transfer	-	(20,000)
	<u>(208,289)</u>	<u>(34,250)</u>
Increase in cash and cash equivalents during the year	143,940	325,383
Cash and cash equivalents - Beginning of year	866,391	541,008
Cash and cash equivalents - End of year	<u>1,010,331</u>	<u>866,391</u>
Cash and cash equivalents comprise		
Unrestricted	631,363	646,391
Restricted	378,968	220,000
	<u>1,010,331</u>	<u>866,391</u>

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

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Notes to 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 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.

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 (fundraising, general donations and other) are recognized as revenue on receipt or receivable. 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 highly liquid securities with original maturities shorter than 90 days.

Short-term investments

The short-term investments consist of mutual funds and term deposits with original maturities shorter than one year.

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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.

Donations-in-kind

Donations-in-kind are recorded at fair value on receipt or receivable, 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.

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 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 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.

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 excess (deficiency) of revenues over expenses in the year in which they become known.

3 Capital assets

	2015		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Computer equipment	168,607	165,073	3,534
Furniture and fixtures	5,463	5,463	-
Leasehold improvements	26,837	21,145	5,692
	<u>200,907</u>	<u>191,681</u>	<u>9,226</u>

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	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>

4 Intangible asset

	2015		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Website costs	63,455	63,455	-

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

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:

	2015	2014
	\$	\$
Balance - Beginning of year	697,010	894,404
Less: Amounts recognized as revenue in the year	(2,797,797)	(3,002,545)
Add: Amounts received in the year	<u>2,587,665</u>	<u>2,805,151</u>
Balance - End of year	<u>486,878</u>	<u>697,010</u>

6 Allocation of expenses

Salary and benefit expenses reported in the statement of operations total \$1,322,223 (2014 - \$1,369,609). An allocation of \$991,667 (2014 - \$1,027,207) has been made to agency services with \$330,556 (2014 - \$342,402) 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 four years and thereafter are as follows:

	\$
2016	57,570
2017	57,547
2018	53,598
2019	49,131
Thereafter	-
	<u>217,846</u>

8 Related party transactions and balances

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 of year-end, the Organization has the following related party balances with the Foundation:

	2015	2014
	\$	\$
Included in accounts receivable Due from the Foundation	31,014	667

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 2015, 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, 2015, government remittances to the federal and provincial governments included in accounts payable and accrued liabilities amounted to \$1,659 (2014 - \$7,793). These amounts are not in arrears.

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10 Change in non-cash working capital balances

	2015	2014
	\$	\$
Accounts receivable	(83,785)	367,975
Prepaid expenses	13,394	6,204
Accounts payable and accrued liabilities	76,082	(11,885)
Deferred contributions	(210,132)	(197,394)
Self-insured retention	158,968	220,000
	<u>(45,473)</u>	<u>384,900</u>

11 Self-insured retention

The Organization's insurance policy includes a self-insured retention portion, which is a type of deductible. As at December 31, 2015, the Organization has received \$378,968 (2014 - \$220,000) from member agencies in order to reserve for this balance. Based on the claims outstanding as at December 31, 2015, it is estimated that an amount up to \$449,000 (2014 - \$220,000) 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.

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

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.

- 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 term deposits in short-term investment is also considered remote as they are fixed income securities issued by a major Canadian financial institution. Accounts

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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 investments 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.

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 figures

Certain prior year balances have been reclassified to conform to the current year's presentation.