BIG BROTHERS BIG SISTERS OF TORONTO

FINANCIAL STATEMENTS

DECEMBER 31, 2019

MacGillivray
Chartered Accountants & Business Advisors

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INDEPENDENT AUDITOR'S REPORT

To the Members of Big Brothers Big Sisters of Toronto

Qualified Opinion
We have audited the financial statements of Big Brothers Big Sisters of Toronto ("the Organization"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter 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 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 part of its revenue from donations and fundraising events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were unable to determine whether, as at and for the years ended December 31, 2019 and December 31, 2018, any adjustments might be necessary to donations and fundraising event revenue, excess of revenues over expenditures reported in the statements of operations, excess of revenue over expenditures reported in the statements of cash flows and current assets and net assets reported in the statements of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended December 31, 2018.

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 opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the 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.

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INDEPENDENT AUDITOR'S REPORT, CONTINUED

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.

MacGillivray Brampton

Mississauga, Ontario
July 8, 2020

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

BIG BROTHERS BIG SISTERS OF TORONTO

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

	2019	2018
ASSETS		
Current		
Cash	$ 411,082	$ 350,502
Investments	202,245	199,748
Accounts receivable (Note 10)	141,302	192,892
Prepaid expenses	84,338	79,544
	838,967	822,686
Charitable life insurance- cash surrender value	68,475	66,107
Capital assets (Note 3)	10,186	-
Investments (Notes 6 & 7)	419,966	372,299
	$ 1,337,594	$ 1,261,092
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 94,133	$ 103,011
Deferred revenue (Note 5)	133,232	261,346
	227,365	364,357
LEASE COMMITMENTS (Note 12)		
SUBSEQUENT EVENT (Note 13)		
NET ASSETS		
Externally restricted (Note 6)	318,850	283,923
Internally restricted (Note 7)	101,116	88,376
Unrestricted	690,263	524,436
	1,110,229	896,735
	$ 1,337,594	$ 1,261,092

Approved on behalf of the board

Chair Paul L. H________ Treasurer ________

See accompanying Notes to the financial statements

BIG BROTHERS BIG SISTERS OF TORONTO

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018 (Note 14)
Revenue		
Fundraising events and activities (Note 8)	$ 1,241,339	$ 1,391,119
Donations		
Corporate	65,617	73,586
Individual	482,901	429,567
Foundations	147,343	141,664
Scholarship funding	72,008	103,216
Grants		
United Way of Greater Toronto	388,219	388,215
Big Brothers Big Sisters of Canada (Note 10)	178,782	163,092
Government	406,823	126,247
Investment income (loss)	78,125	(24,867)
Secondment fee (Note 10)	52,500	35,000
Other	15,008	12,963
	3,128,665	2,839,802
Expenditures		
Salaries and related benefits	1,762,617	1,894,583
Fundraising events and activities (Note 8)	406,760	345,256
Building occupancy	218,681	211,327
Computer supplies and services	112,977	113,941
Professional/ Consulting	95,349	44,908
Program expenses	85,388	58,315
Scholarships	77,548	114,619
Office supplies and services	52,000	58,659
Insurance	40,029	45,833
Membership dues (Note 10)	19,500	19,630
Staff development	19,209	26,650
Volunteer recruitment and retention	12,886	8,677
Bank charges	12,227	10,745
	2,915,171	2,953,143
Excess (deficiency) of revenue over expenditures	$ 213,494	$ (113,341)

BIG BROTHERS BIG SISTERS OF TORONTO

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2019

	Externally restricted	*Internally restricted*	*Unrestricted*	*2019 Total*	*2018 Total*
Net assets, beginning of year	$ 283,923	$ 88,376	$ 524,436	$ 896,735	$ 1,010,076
Excess (deficiency) of revenue over expenses	34,927	12,740	165,827	213,494	(113,341)
Balance, ending of year	$ 318,850	$ 101,116	$ 690,263	$ 1,110,229	$ 896,735

BIG BROTHERS BIG SISTERS OF TORONTO

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
Cash flows from operating activities		
Excess (deficiency) of revenue over expenditures	$ 213,494	$ (113,341)
Adjustments for items not affecting cash		
Increase in cash surrender value of life insurance	(2,368)	(2,252)
Donation of securities	(25,224)	(48,687)
Unrealized loss on investments	244	45,437
Realized gain on sale of investments	(60,104)	-
	126,042	(118,843)
Change in non-cash working capital items		
Accounts receivable	51,590	(22,065)
Prepaid expenses	(4,794)	(64,269)
Accounts payable and accrued liabilities	(8,878)	(22,498)
Deferred revenue	(128,114)	191,534
	35,846	(36,141)
Cash flows from investing activities		
Purchase of investments	(15,080)	(19,981)
Proceeds from sale of investments	50,000	24,666
Purchase of capital assets	(10,186)	-
	24,734	4,685
Increase (decrease) in cash	60,580	(31,456)
Cash, beginning of year	350,502	381,958
Cash, end of year	$ 411,082	$ 350,502

BIG BROTHERS BIG SISTERS OF TORONTO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

1. DESCRIPTION

Big Brothers Big Sisters of Toronto (the "Organization") is a chartered member of Big Brothers Big Sisters of Canada, recruits, matches and monitors volunteers to children and youth from families living in Toronto in order to positively influence the children's/youths' developmental growth. The Organization is incorporated under the Ontario Corporations Act as a not-for-profit organization and is a registered charity under the Income Tax Act. Accordingly, it is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") in Part III of the Chartered Professional Accountants of Canada Handbook. Significant accounting policies adopted by the Organization are as follows:

(a) Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized in revenue in the year in which the related expenses are incurred. 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.

(b) Investments

Investments consist of units of money market mutual funds. The Organization has elected to carry all of its financial investments at fair value.

(c) Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided using the straight-line method over the following periods:

Leasehold improvements	Straight-line	5 years

(d) Financial instruments

The Organization initially measures its financial assets and financial liabilities at amortized cost except for investments that are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets subsequently measured at amortized cost are accounts receivable. Financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment.

BIG BROTHERS BIG SISTERS OF TORONTO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) Donated materials and services

The Organization is dependent on the ongoing support of volunteers, the value of which has not been quantified in these financial statements. In kind contributions with an estimated fair value of $109,000 (2018 - $111,000) have not been recognized in the financial statements.

(f) Allocation of Fundraising/General expenses

The Organization classifies expenses on the Statement of Operations by category. The Organization does not allocate expenses between categories on the Statement of Operations.

(g) Use of estimates

The preparation of financial statements in accordance 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 at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Accounts specifically affected by estimates in these financial statements are accounts receivable and accounts payable and accrued liabilities.

3. CAPITAL ASSETS

	Cost	*Accumulated amortization*	*2019 Net book value*	*2018 Net book value*
Leasehold improvements	$ 10,186	$ -	$ 10,186	$ -

Leasehold improvements relate to costs incurred for office renovations which are under construction at year-end and therefore not available for use. No amortization has been taken in the current year.

4. CREDIT FACILITY

The Organization has a credit facility of $150,000 available to fund operations. The amount outstanding at December 31, 2019 is $nil (2018 - $nil). Any outstanding amount is due on demand and bears interest at the Royal Bank of Canada's prime rate plus 1.3%. The Organization has pledged a general security agreement over all assets as collateral for this facility.

BIG BROTHERS BIG SISTERS OF TORONTO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

5. DEFERRED REVENUE

	2019	2018
Government grants	$ 66,273	$ 216,459
Big Brothers Big Sisters of Canada funding	57,389	18,459
Other grants	9,148	26,276
Program/event donations	422	152
	$ 133,232	$ 261,346

Unearned revenue reported in the statement of financial position represents restricted operating funding received in the current period that is related to the subsequent period. Changes in unearned revenue are as follows:

	2019	2018
Beginning balance	$ 261,346	$ 69,812
Less amount recognized as revenue in the year	(261,346)	(68,132)
Add amount received related to next year	133,232	259,666
	$ 133,232	$ 261,346

6. EXTERNALLY RESTRICTED NET ASSETS

	2019	2018
Estate of William Solomon	$ 318,850	$ 283,923

These funds are set up with external commitments and obligations. The funds are not to be used for any other purpose but for their sole purpose as stated below:

The purpose of this fund is to award scholarships to eligible participants of Big Brothers Big Sisters of Toronto programs in pursuing post secondary education. This fund has a principal value of $250,000 and is not to be encroached upon. The funds have been included in a segregated investment account and form part of the long-term investment balance at December 31, 2019 as these investments are not available for current use beyond the expected scholarship disbursements each year. Interest earned on the investments of the fund are recognized in the fund.

BIG BROTHERS BIG SISTERS OF TORONTO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

7. INTERNALLY RESTRICTED NET ASSETS

	2019	2018
Reserve Fund	$ 101,116	$ 88,376

The purpose of this fund is to allow the Organization to meet its critical expense obligations should it experience deficits, as a result of revenue shortfalls. The intent, over time, is for the Organization to build up funds that allows the Organization to cover 6 months of expenses, if required to do so. The funds have been included in a segregated investment account and form part of the long term investment balance at December 31, 2019. Interest earned on the investments of the fund are recognized in the fund.

Changes to the internally restricted net assets require Board approval.

8. SCHEDULE OF FUNDRAISING EVENTS AND ACTIVITIES

	Receipts	Disbursements	2019 Net Proceeds	2018 Net Proceeds
Bowl-for-Kids-Sake	$ 266,699	$ 38,674	$ 228,025	$ 201,740
Big Night Out	705,590	256,508	449,082	529,477
Other Agency events	36,677	23,471	13,206	31,563
Third Party Fundraising	128,193	1,090	127,103	254,407
Direct mail	385	-	385	3,110
Big and Little events	103,795	87,017	16,778	25,566
	$ 1,241,339	$ 406,760	$ 834,579	$ 1,045,863

Receipts and disbursements do not include the value of donated materials and services.

9. FINANCIAL INSTRUMENTS

The fair values of cash, accounts receivable, and accounts payable approximate their carrying value due to the relatively short periods to maturity of these items.

Financial instrument risk exposure and management

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

General objective, policies and processes

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

It is management's opinion that the Organization is not exposed to any significant interest rate, foreign currency and credit risk arising from its financial instruments. All of the Organization's cash and investments are held at major Canadian financial institutions.

BIG BROTHERS BIG SISTERS OF TORONTO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

9. FINANCIAL INSTRUMENTS, continued

Liquidity risk

Liquidity risk is defined as the risk that the Organization may not be able to settle or meet its obligations as they become due. Management has taken steps to ensure that it will have sufficient working capital available to meet its obligations.

Management believes the exposure to the above risks has not changed from the prior year.

10. RELATED PARTY TRANSACTION AND BALANCE

In July 2018 the Organization entered into an agreement for a term of one year with Big Brothers Big Sisters of Canada for the secondment of senior management of the Organization, on a part time basis, to Big Brothers Big Sisters Foundation ("the Foundation"). The Foundation and Big Brothers Big Sisters Canada are related by virtue of the fact they have certain common board of directors' members. The Organization and the Foundation are related by virtue of the fact there is common management.

Revenue from Big Brothers Big Sisters of Canada of $52,500 was recognized in the current year (2018 - $35,000) related to the provision of management services to the Foundation. At December 31, 2019 no amounts are outstanding related to this arrangement (2018 - $17,500). The transaction is measured at the exchange amount which is the amount of consideration established and agreed to by the related parties. Amounts due from Big Brothers Big Sisters Canada are unsecured, non-interest bearing and have no set repayment terms.

In the normal course of operations the Organization receives grant funding from Big Sisters Big Brothers Canada and pays annual membership fees. In 2019 the Organization recognized $178,782 (2018 - $163,092) of grant revenue and paid membership fees of $19,500 (2018 - $19,630).

11. GUARANTEES

In the normal course of business, the Organization enters into agreements that meet the definition of a guarantee. The Organization's primary guarantees are as follows:

(a) The Organization has provided indemnities under lease agreements for the use of various operating facilities. Under the terms of these agreements, the Organization agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, loss, suits and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.

(b) Indemnity has been provided to all directors and/or officers of the Organization for various items including, but not limited to, all costs to settle suits or actions due to association with the Organization, subject to certain restrictions. The Organization has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a director or officer of the Organization. The maximum amount of any potential future payment cannot be reasonably estimated.

BIG BROTHERS BIG SISTERS OF TORONTO

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

11. GUARANTEES, continued

The nature of these indemnification agreements prevents the Organization from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Organization has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the financial statements with respect to these agreements.

12. LEASE COMMITMENTS

The Organization is committed to the following annual lease payments for office space and equipment in the years ended December 31:

2020	$ 267,000
2021	225,000
2022	221,000
2023	195,000
2024	195,000
Thereafter	1,173,000
	$ 2,276,000

As at December 31, 2019, the Organization has a commitment of $139,000, plus applicable taxes, to a vendor for office renovations to be completed in 2020.

13. SUBSEQUENT EVENTS

Subsequent to year-end the global spread of COVID-19 has created material uncertainty for business continuity across a broad range of industries and organizations. The economic impact of the virus could be severe and long lasting as unprecedented measures are being taken to mitigate the consequences of the pandemic. Management and the Board of Directors are carefully monitoring and evaluating the impact. The pandemic could impact future operations through reduced revenues, inability to hold events to generate fundraising support or the availability of government funding. At this time it is not practicable to determine the precise impact on the Organization. No adjustments have been made to these financial statements as a result of this uncertainty.

14. COMPARATIVE FIGURES

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