

**BIG BROTHERS BIG SISTERS  
OF TORONTO**

FINANCIAL STATEMENTS

DECEMBER 31, 2018



## INDEPENDENT AUDITORS' 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, 2018, 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, 2018, 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, our examination 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 years ended December 31, 2018 and December 31, 2017, any adjustments might be necessary to donations and fundraising event revenue, excess of revenue 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, 2017.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' 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.

## INDEPENDENT AUDITORS' REPORT, CONTINUED

### *Auditors' 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 auditors' 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.

*Mac Gilliespie Grant*

Mississauga, Ontario  
May 22, 2019

CHARTERED PROFESSIONAL ACCOUNTANTS  
LICENSED PUBLIC ACCOUNTANTS



# BIG BROTHERS BIG SISTERS OF TORONTO

## STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

	2018	2017
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 350,502	\$ 381,958
Investments	199,748	171,531
Accounts receivable (Note 10)	192,892	170,827
Prepaid expenses	<u>79,544</u>	<u>15,275</u>
	822,686	739,591
<b>Charitable life insurance- cash surrender value</b>	66,107	63,855
<b>Investments (Notes 5 &amp; 6)</b>	<u>372,299</u>	<u>401,951</u>
	<u>\$ 1,261,092</u>	<u>\$ 1,205,397</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 103,011	\$ 125,509
Deferred revenue (Note 3)	<u>261,346</u>	<u>69,812</u>
	<u>364,357</u>	<u>195,321</u>
<b>CONTINGENT LIABILITY (Note 11)</b>		
<b>LEASE COMMITMENTS (Note 12)</b>		
<b>NET ASSETS</b>		
<b>Externally restricted (Note 5)</b>	283,923	309,248
<b>Internally restricted (Note 6)</b>	88,376	92,703
<b>Unrestricted</b>	<u>524,436</u>	<u>608,125</u>
	<u>896,735</u>	<u>1,010,076</u>
	<u>\$ 1,261,092</u>	<u>\$ 1,205,397</u>

Approved on behalf of the board

Chair \_\_\_\_\_

Treasurer \_\_\_\_\_



# BIG BROTHERS BIG SISTERS OF TORONTO

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
<b>Revenue</b>		
Fundraising events and activities (Note 7)	\$ 1,391,119	\$ 1,627,901
Donations		
Corporate	73,586	167,191
Individual	429,567	513,748
Foundations	141,664	121,596
Scholarship funding	103,216	73,215
Grants		
United Way of Greater Toronto	388,215	388,219
Big Brothers Big Sisters of Canada (Note 10)	163,092	193,222
Government	126,247	20,606
Interest income and other	33,533	24,461
Secondment fee (Note 10)	35,000	-
	<u>2,885,239</u>	<u>3,130,159</u>
<b>Expenditures</b>		
Salaries and related benefits	1,894,583	2,111,471
Fundraising events and activities (Note 7)	345,256	371,986
Building occupancy	211,327	201,333
Computer supplies and services	113,941	100,656
Professional/ Consulting	44,908	90,327
Scholarships	114,619	73,215
Program expenses	58,315	67,866
Office supplies and services	58,659	59,117
Insurance	45,833	37,075
Membership dues (Note 10)	19,630	20,397
Staff development	26,650	16,515
Bank charges	10,745	14,891
Volunteer recruitment and retention	8,677	14,160
	<u>2,953,143</u>	<u>3,179,009</u>
<b>Other expenses/(income)</b>		
Unrealized loss (gain) on investments	<u>45,437</u>	<u>(26,592)</u>
<b>Deficiency of revenue over expenditures</b>	<u>\$ (113,341)</u>	<u>\$ (22,258)</u>



# BIG BROTHERS BIG SISTERS OF TORONTO

STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Externally restricted	Internally restricted	Unrestricted	2018 Total	2017 Total
<b>Net assets, beginning of year</b>	\$ 309,248	\$ 92,703	\$ 608,125	\$ 1,010,076	\$ 1,032,334
Deficiency of revenue over expenses	<u>(25,325)</u>	<u>(4,327)</u>	<u>(83,689)</u>	<u>(113,341)</u>	<u>(22,258)</u>
<b>Balance, ending of year</b>	<u>\$ 283,923</u>	<u>\$ 88,376</u>	<u>\$ 524,436</u>	<u>\$ 896,735</u>	<u>\$ 1,010,076</u>



See accompanying Notes to the financial statements

# BIG BROTHERS BIG SISTERS OF TORONTO

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
<b>Cash flows from operating activities</b>		
Deficiency of revenue over expenditures	\$ (113,341)	\$ (22,258)
Adjustment for		
Increase in cash surrender value of life insurance	(2,252)	(2,415)
Donation of securities	(48,687)	(24,879)
Unrealized loss (gain) on investments	45,437	(26,592)
	<u>(118,843)</u>	<u>(76,144)</u>
Change in non-cash working capital items		
Accounts receivable	(22,065)	31,834
Prepaid expenses	(64,269)	26,335
Accounts payable and accrued liabilities	(22,498)	70,709
Deferred revenue	191,534	13,991
	<u>(36,141)</u>	<u>66,725</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(19,981)	(12,752)
Proceeds from sale of investments	24,666	25,190
	<u>4,685</u>	<u>12,438</u>
<b>(Decrease) increase in cash</b>	(31,456)	79,163
<b>Cash, beginning of year</b>	<u>381,958</u>	<u>302,795</u>
<b>Cash, end of year</b>	<u>\$ 350,502</u>	<u>\$ 381,958</u>



# BIG BROTHERS BIG SISTERS OF TORONTO

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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### 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 exchange traded 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:

Furniture and fixtures	Straight-line	5 years
Computer equipment	Straight-line	3 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, 2018

### 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 \$111,000 (2017 - \$108,000) 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. DEFERRED REVENUE

	2018	2017
Government grants	\$ 216,459	\$ 17,933
Big Brothers Big Sisters of Canada grant	18,459	22,285
Other grants	26,276	6,180
Program/event donations	<u>152</u>	<u>23,414</u>
	<u>\$ 261,346</u>	<u>\$ 69,812</u>

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:

	2018	2017
Beginning balance	\$ 69,812	\$ 55,821
Less amount recognized as revenue in the year	(68,132)	(55,821)
Add amount received related to next year	<u>259,666</u>	<u>69,812</u>
	<u>\$ 261,346</u>	<u>\$ 69,812</u>



# BIG BROTHERS BIG SISTERS OF TORONTO

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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### 4. CREDIT FACILITY

The Organization has a credit facility of \$150,000 available to fund operations. The amount outstanding at December 31, 2018 is \$nil (2017 - \$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.

### 5. EXTERNALLY RESTRICTED NET ASSETS

	2018	2017
Estate of William Solomon	<u>\$ 283,923</u>	<u>\$ 309,248</u>

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, 2018 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.

### 6. INTERNALLY RESTRICTED NET ASSETS

	2018	2017
Reserve Fund	<u>\$ 88,376</u>	<u>\$ 92,703</u>

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, 2018. Interest earned on the investments of the fund are recognized in the fund.

Changes to the internally restricted net assets require Board approval.



# BIG BROTHERS BIG SISTERS OF TORONTO

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

### 7. SCHEDULE OF FUNDRAISING EVENTS AND ACTIVITIES

	Receipts	Disbursements	2018 Net Proceeds	2017 Net Proceeds
Bowl-for-Kids-Sake	\$ 226,706	\$ 24,966	\$ 201,740	\$ 268,349
Big Night Out	767,340	237,863	529,477	554,350
Other Agency Events	55,522	23,959	31,563	64,000
Third Party Fundraising	255,101	694	254,407	329,409
Direct mail	3,213	103	3,110	5,709
Big and Little events	83,237	57,671	25,566	34,098
	<u>\$ 1,391,119</u>	<u>\$ 345,256</u>	<u>\$ 1,045,863</u>	<u>\$ 1,255,915</u>

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

### 8. 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.

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.

### 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:



# BIG BROTHERS BIG SISTERS OF TORONTO

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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### 9. FINANCIAL INSTRUMENTS, continued

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.

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 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 \$35,000 was recognized in 2018 related to the provision of management services to the Foundation. At December 31, 2018 accounts receivable includes \$17,500 related to this arrangement. 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 2018 the Organization recognized \$163,092 (2017 - \$193,222) of grant revenue and paid membership fees of \$19,630 (2017 - \$20,397).

### 11. CONTINGENT LIABILITY

In the normal course of operations the Organization has received a statement of claim; however the outcome of the claim is uncertain and, as a result no amount has been accrued in these financial statements. Management is of the opinion that the operations of the Organizations will not be adversely affected by the outcome of the claim. The Organization will record the expense, if any, when the outcome and settlement amount is reasonably determinable.



**BIG BROTHERS BIG SISTERS OF TORONTO**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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## 12. LEASE COMMITMENTS

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

2019	\$	243,000
2020		162,000
2021		9,000
2022		<u>8,000</u>
	\$	<u>422,000</u>

