

Big Brothers - Big Sisters of P.E.I. Inc.
Financial Statements
For the Year Ended September 30, 2016

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Tel: 902 892 5365
Fax: 902 892 0383
www.bdo.ca

BDO Canada LLP
155 Belvedere Avenue, Suite 200
PO Box 2158
Charlottetown PE C1A 8B9
Canada

Independent Auditor's Report

To the Board of Directors of Big Brothers - Big Sisters of P.E.I. Inc.

We have audited the accompanying financial statements of Big Brothers - Big Sisters of P.E.I. Inc., which comprise the statement of financial position as at September 30, 2016 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from donations and fundraising activities, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to donation and fundraising revenues, excess of revenue over expenses, assets and net assets.

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations and fundraising activities referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of Big Brothers - Big Sisters of P.E.I. Inc. as at September 30, 2016, 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.

BDO Canada LLP

Chartered Professional Accountants

Charlottetown, Prince Edward Island
January 26, 2017

Big Brothers - Big Sisters of P.E.I. Inc.
Statement of Financial Position

September 30	2016	2015
Assets		
Current		
Cash	\$ 133,551	\$ 204,531
Short-term investments (Note 2)	-	153,242
Accounts receivable	28,005	4,189
Inventory - cottage	82,123	-
	243,679	361,962
Long-term investments (Note 2)	155,831	-
Property and equipment (Note 3)	85,138	89,109
Property for resale (Note 4)	12,000	25,200
	\$ 496,648	\$ 476,271
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 29,634	\$ 32,233
Scheduled repayments on long-term debt in the next 12 months (Note 7)	5,328	5,328
	34,962	37,561
Long-term debt (Note 7)	30,226	35,554
	65,188	73,115
Net Assets		
Invested in capital assets (Note 9)	49,584	48,227
Internally restricted (Note 10)	75,000	75,000
Unrestricted	306,876	279,929
	431,460	403,156
	\$ 496,648	\$ 476,271

On behalf of the Board:

_____ Director

_____ Director

Big Brothers - Big Sisters of P.E.I. Inc.
Statement of Changes in Net Assets

For the year ended September 30	Invested in capital assets	Internally restricted	Unrestricted	2016 Total	2015 Total
Balance, beginning of the year	\$ 48,227	\$ 75,000	\$ 279,929	\$ 403,156	\$ 375,510
Excess of revenue over expenses	(3,971)	-	32,275	28,304	27,646
Net change in investment in capital assets (Note 9)	5,328	-	(5,328)	-	-
Balance, end of the year	\$ 49,584	\$ 75,000	\$ 306,876	\$ 431,460	\$ 403,156

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

Big Brothers - Big Sisters of P.E.I. Inc. Statement of Operations

For the year ended September 30	2016	2015
Revenue		
Bowl for Kids' Sake (net - Schedule 1)	\$ 80,210	\$ 81,669
Dream Draw Cottage (net - Schedule 2)	291,654	295,895
Grants - Province of P.E.I.	29,100	29,100
Interest	3,001	4,959
Donations	9,596	9,644
United Way of P.E.I.	83	85
Loss on write down of lot	(13,200)	-
	400,444	421,352
Operating expenses		
Advertising and recruitment	8,259	11,492
Amortization of capital assets	3,971	3,971
Computer support	1,004	827
Equipment lease	3,921	3,941
Equipment and software purchases	922	4,240
Interest and bank charges	4,413	4,311
Interest on long-term debt	1,814	2,137
Insurance	4,674	6,529
Miscellaneous	2,201	3,253
National Agency and Regional dues	9,071	9,443
Office improvements	2,951	5,125
Office supplies and postage	9,275	8,613
Professional fees	2,449	2,167
Property taxes	180	2,198
Rent	4,964	4,369
Special projects	9,841	9,501
Telephone	14,501	14,101
Training and interagency	2,512	850
Travel	3,827	2,968
Utilities	4,155	5,017
Wages and employee benefits	277,235	288,653
	372,140	393,706
Excess of revenue over expenses	\$ 28,304	\$ 27,646

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

Big Brothers - Big Sisters of P.E.I. Inc.
Statement of Cash Flows

For the year ended September 30	2016	2015
Cash flows from operating activities		
Cash receipts from customers	\$ 633,692	\$ 743,620
Cash paid to suppliers and employees	(693,529)	(621,068)
Interest received	3,001	4,959
Interest paid	(6,227)	(6,448)
	<u>(63,063)</u>	<u>121,063</u>
Cash flows from investing activities		
Purchase of investments	<u>(2,589)</u>	<u>(4,300)</u>
Cash flows from financing activities		
Repayment of long-term borrowings	<u>(5,328)</u>	<u>(5,328)</u>
Net increase (decrease) in cash	(70,980)	111,435
Cash, beginning of the year	<u>204,531</u>	<u>93,096</u>
Cash, end of the year	<u>\$ 133,551</u>	<u>\$ 204,531</u>

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

Big Brothers - Big Sisters of P.E.I. Inc.

Notes to Financial Statements

September 30, 2016

1. Significant Accounting Policies

Nature and Purpose of Organization The organization is a charity incorporated without share capital under the laws of Prince Edward Island. The organization provides mentoring relationships between adult volunteers and children.

The organization is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

Basis of Accounting The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations established by the Chartered Professional Accountants (CPA) of Canada.

Cash and Cash Equivalents Cash and cash equivalents consist of cash on hand, bank balances and Guaranteed Investment Certificates with a duration of less than ninety days from the date of acquisition.

Guaranteed Investment Certificates Guaranteed Investment Certificates are recorded at cost plus accrued interest, which is equivalent to market value.

Pledges The organization does not accrue pledges receivable in the financial statements.

Inventory Inventory is measured at the lower of cost and net realizable value.

Capital Assets Purchased tangible capital assets are stated at cost less accumulated amortization. Contributed tangible capital assets are recorded at fair value at the date of contribution and are amortized, unless fair value is not determinable in which case contributed tangible capital assets are recorded at nominal value at the date of contribution.

Amortization based on the estimated useful life of the asset is calculated as follows:

Asset	Method	Rate
Building	Straight-line	4%

Equipment Purchases Equipment purchases are expensed in the year of acquisition.

Big Brothers - Big Sisters of P.E.I. Inc. Notes to Financial Statements

September 30, 2016

1. Significant Accounting Policies (continued)

Revenue Recognition	<p>The organization follows the deferral method of accounting for contributions.</p> <p>Restricted contributions are recognized as 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.</p> <p>Revenue from fundraising activities is recognized when tickets are sold.</p>
Contributed Services	<p>Volunteers contribute many hours per year to assist the organization in carrying out its activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.</p>
Vacation Pay	<p>Vacation pay is accrued as entitlement to these payments is earned.</p>
Financial Instruments	<p>Financial instruments are recorded at fair value at initial recognition.</p> <p>In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.</p> <p>Financial assets are tested for impairment when indicators of impairment exist.</p>
Use of Estimates	<p>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 amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.</p>

Big Brothers - Big Sisters of P.E.I. Inc. Notes to Financial Statements

September 30, 2016

2. Investments

Short-term investments consist of a Guaranteed Investment Certificate of \$ Nil. (2015 - \$ 153,242.).

Long-term investments consist of a Guaranteed Investment Certificate of \$ 155,831. (2015 - \$ Nil.) earning interest at a rate of 1.68%, maturing in November 2017.

3. Property and Equipment

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 46,000	\$ -	\$ 46,000	\$ -
Building	99,279	(60,141)	99,279	(56,170)
	145,279	(60,141)	145,279	(56,170)
		\$ 85,138		\$ 89,109

4. Property for Resale

The organization received land donated in 2014. The land is currently being held for resale and has a value of \$ 12,000.

5. Demand Loan

The organization has a demand facility in the amount of \$ Nil. (2015 - \$ Nil.) which is available to a maximum of \$ 20,000., bears interest at the bank's prime + 2%, and is secured under the same terms as a term loan as disclosed in Note 7.

Big Brothers - Big Sisters of P.E.I. Inc.
Notes to Financial Statements

September 30, 2016

6. Accounts Payable and Accrued Liabilities

	2016	2015
Accrued vacation payable	\$ 11,941	\$ 11,699
National dues	8,694	9,065
Trade payables	8,999	11,469
	\$ 29,634	\$ 32,233

Included in accounts payable and accrued liabilities is \$ 359. (2015 - \$ 273.) in government remittances.

7. Long-term Debt

	2016	2015
Bank of Nova Scotia, prime + 2.0%, payable in monthly principal installments of \$ 444. plus interest, due September 2019, secured by a collateral mortgage and fire insurance on land and building at 2 St. Peters Road with a net carrying value as disclosed in Note 3	\$ 35,554	\$ 40,882
Scheduled cash repayments required in the next 12 months	(5,328)	(5,328)
Long-term portion of debt	\$ 30,226	\$ 35,554

(i) Accounting standards for not-for-profit organizations require that loans that the lender can require to be repaid on demand be classified as current liabilities.

Regular principal repayments required on long-term debt for the next five years are as follows: 2017 - \$ 5,328.; 2018 - \$ 5,328.; 2019 - \$ 24,898.; 2020 - \$ Nil.; and 2021 - \$ Nil.

Big Brothers - Big Sisters of P.E.I. Inc. Notes to Financial Statements

September 30, 2016

8. Commitments

The organization leases its photocopier under a long-term operating lease that expires June 30, 2020. The quarterly payments are \$ 881. per quarter. The organization also leases its postage machine under a long-term operating lease that expires December 1, 2019. The quarterly payments are \$ 253. per quarter.

The minimum annual lease payments for the next four years are as follows:

2017	\$	4,535
2018		4,535
2019		3,524
2020		881

9. Investment in Capital Assets

(a) Investment in capital assets is calculated as follows:

	2016	2015
Capital assets	\$ 85,138	\$ 89,109
Less amounts financed by long-term debt	(35,554)	(40,882)
	<u>\$ 49,584</u>	<u>\$ 48,227</u>

(b) Change in net assets invested in capital assets is calculated as follows:

	2016	2015
Amortization of capital assets	<u>\$ (3,971)</u>	<u>\$ (3,971)</u>
Repayment of long-term debt	<u>\$ 5,328</u>	<u>\$ 5,328</u>

10. Internally Restricted Net Assets

Internally restricted net assets consists of a general contingency fund of \$ 75,000. (2015 - \$ 75,000.). Access to these funds is restricted based on conditions set by the Board of Directors. During the year, \$ Nil. (2015 - \$ Nil.) was transferred to internally restricted net assets. These internally restricted funds have been segregated from operations and held in a Guaranteed Investment Certificate as disclosed in Note 2.

Big Brothers - Big Sisters of P.E.I. Inc. Notes to Financial Statements

September 30, 2016

11. Government Subsidies

During the year, the organization received \$ 12,871. (2015 - \$ 18,009.) in wage subsidies. Amounts received during the year are recorded as a direct reduction of wages and employee benefits.

12. Financial Instrument Risks

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization is also exposed to a concentration risk arising from all of its bank accounts and investments being held at one financial institution. It is possible that the organization could incur a financial loss as the organization's cash and investment holdings are above the maximum amount insured of \$ 100,000.

There have not been any changes in the risk from the prior year.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk on its mortgage and operating loan. The organization has a mortgage and operating loan with a variable interest rate which involves risk of default on interest and principal and price changes due to, without limitation, such factors as interest rates and general economic conditions.

There have not been any changes in the risk from the prior year.

Big Brothers - Big Sisters of P.E.I. Inc.
Schedule 1 - Bowl for Kids' Sake

For the year ended September 30	2016	2015
Revenue		
Pledges	\$ 120,691	\$ 116,051
Corporate sponsorship	8,975	12,150
Dream Team	1,492	-
	<u>131,158</u>	<u>128,201</u>
 Operating expenses		
Advertising and promotion	20,613	18,486
Bowler awards and prizes	8,156	7,905
Lane rentals	7,785	7,857
Mail and postage	1,403	2,457
Mileage	1,266	1,223
Office and miscellaneous	1,272	5,386
Printing	3,021	2,706
Telephone	469	512
Wages	6,963	-
	<u>50,948</u>	<u>46,532</u>
	<u>\$ 80,210</u>	<u>\$ 81,669</u>

Big Brothers - Big Sisters of P.E.I. Inc.
Schedule 2 - Dream Draw Cottage

For the year ended September 30	2016	2015
Revenue		
Ticket sales	\$ 482,571	\$ 493,687
Sale of cottage	-	75,438
Cottage donation	5,000	-
	<u>487,571</u>	<u>569,125</u>
Cost of goods sold		
Cottage and delivery costs	112,289	115,198
Ending cottage inventory at net realizable value	(82,123)	-
Opening cottage inventory at net realizable value	-	75,438
	<u>30,166</u>	<u>190,636</u>
	<u>457,405</u>	<u>378,489</u>
Operating expenses		
Advertising and promotion	58,959	57,408
Cash prize	68,000	-
Credit card and debit fees	6,162	4,448
Mail and postage	12,088	8,763
Mileage	1,676	1,454
Office and miscellaneous	4,298	2,415
Printing costs	4,596	6,004
Telephone	1,492	519
Utilities	1,734	1,583
Wages	6,746	-
	<u>165,751</u>	<u>82,594</u>
	<u>\$ 291,654</u>	<u>\$ 295,895</u>