

Big Brothers - Big Sisters of P.E.I. Inc.
Financial Statements
For the Year Ended September 30, 2017

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Financial Statements
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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, 2017 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 not-for-profit organizations, Big Brothers - Big Brothers of P.E.I. Inc. derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit evidence. Accordingly, the verification of these revenues was limited to the amounts recorded in the records of Big Brothers - Big Brothers of P.E.I. Inc. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess or deficiency of revenues over expenses, and cash flows from operations for the years ended September 30, 2017 and 2016, current assets as at September 30, 2017 and 2016, and net assets as at October 1 and September 30 for both the 2017 and 2016 years. Our audit opinion on the financial statements for the year ended September 30, 2016 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the 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, 2017, 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.

Chartered Professional Accountants

Charlottetown, Prince Edward Island
February 2, 2018

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

September 30	2017	2016
Assets		
Current		
Cash	\$ 267,156	\$ 133,551
Short-term investments (Note 2)	158,449	-
Accounts receivable	33,665	28,005
Inventory - cottage	-	82,123
	459,270	243,679
Long-term investments (Note 2)	-	155,831
Capital assets (Note 3)	81,167	85,138
Property for resale (Note 4)	-	12,000
	\$ 540,437	\$ 496,648
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 37,165	\$ 29,634
Deferred revenue (Note 7)	55,000	-
Current portion of long-term debt (Note 8)	5,328	5,328
	97,493	34,962
Long-term debt (Note 8)	24,898	30,226
	122,391	65,188
Net Assets		
Invested in capital assets (Note 10)	50,941	49,584
Internally restricted (Note 11)	75,000	75,000
Unrestricted	292,105	306,876
	418,046	431,460
	\$ 540,437	\$ 496,648

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	2017 Total	2016 Total
Balance, beginning of the year	\$ 49,584	\$ 75,000	\$ 306,876	\$ 431,460	\$ 403,156
Excess (deficiency) of revenue over expenses	(3,971)	-	(9,443)	(13,414)	28,304
Net change in investment in capital assets (Note 10)	5,328	-	(5,328)	-	-
Balance, end of the year	\$ 50,941	\$ 75,000	\$ 292,105	\$ 418,046	\$ 431,460

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	2017	2016
Revenue		
Bowl for Kids' Sake (net - Schedule 1)	\$ 83,451	\$ 80,210
Dream Draw Cottage (net - Schedule 2)	273,146	291,654
Grants - Province of P.E.I.	29,100	29,100
Interest	2,797	3,001
Donations	8,025	9,596
United Way of P.E.I.	164	83
Loss on write down of lot (Note 4)	-	(13,200)
	396,683	400,444
Operating expenses		
Advertising and recruitment	10,222	8,259
Amortization of property and equipment	3,971	3,971
Computer support	1,042	1,004
Equipment and software purchases	3,016	922
Equipment lease	3,910	3,921
Insurance	4,763	4,674
Interest and bank charges	3,269	4,413
Interest on long-term debt	1,577	1,814
Miscellaneous	1,988	2,201
National Agency and Regional dues	10,312	9,071
Office improvements	5,487	2,951
Office supplies and postage	6,845	9,275
Professional fees	2,363	2,449
Property taxes	335	180
Rent	5,415	4,964
Special projects	10,548	9,841
Telephone	14,338	14,501
Training and interagency	3,870	2,512
Travel	5,448	3,827
Utilities	4,471	4,155
Wages and employee benefits	306,907	277,235
	410,097	372,140
Excess (deficiency) of revenue over expenses	\$ (13,414)	\$ 28,304

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	2017	2016
Cash flows from operating activities		
Cash receipts from customers	\$ 793,324	\$ 633,692
Cash paid to suppliers and employees	(649,724)	(693,529)
Interest received	2,797	3,001
Interest paid	(4,846)	(6,227)
	<u>141,551</u>	<u>(63,063)</u>
Cash flows from investing activities		
Purchase of investments	<u>(2,618)</u>	<u>(2,589)</u>
Cash flows from financing activities		
Repayment of long-term borrowings	<u>(5,328)</u>	<u>(5,328)</u>
Net increase (decrease) in cash	133,605	(70,980)
Cash, beginning of the year	<u>133,551</u>	<u>204,531</u>
Cash, end of the year	<u>\$ 267,156</u>	<u>\$ 133,551</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, 2017

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.

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.

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

Inventory Cottage inventory is measured at the lower of cost and net realizable value. Cost is the actual cost to construct the cottage.

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, 2017

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. In subsequent periods, 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. 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, 2017

2. Investments

Short-term investments consist of a Guaranteed Investment Certificate of \$ 158,449. (2016 - \$ Nil.) earning interest at a rate of 1.68%, maturing in November 2017.

Long-term investments consist of a Guaranteed Investment Certificate of \$ Nil. (2016 - \$ 155,831.).

3. Capital Assets

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 46,000	\$ -	\$ 46,000	\$ -
Building	99,279	(64,112)	99,279	(60,141)
	145,279	(64,112)	145,279	(60,141)
		\$ 81,167		\$ 85,138

4. Property for Resale

The organization received land donated in 2014. The land was written down to its net realizable value of \$ 12,000. and classified as held for resale in 2016. The land was sold in 2017 for \$ 12,000. Therefore, there is no gain or loss on the land sale in the current year.

5. Demand Loan

The organization has a demand facility in the amount of \$ Nil. (2016 - \$ 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 8.

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

September 30, 2017

6. Accounts Payable and Accrued Liabilities

	2017	2016
Accrued vacation payable	\$ 14,628	\$ 11,941
National dues	9,364	8,694
Trade payables	13,173	8,999
	\$ 37,165	\$ 29,634

Included in accounts payable and accrued liabilities is \$ 254. (2016 - \$ 359.) in government remittances.

7. Deferred Revenue

Deferred revenue represents unspent resources externally restricted for the Teen Mentoring Program and volunteer recruitment funding received in the current period that is related to expenses of a subsequent period. Changes in the deferred contributions balance are as follows:

	Rotary Club of Charlottetown Royalty	Rogers Communications Canada Inc.	Total
Beginning balance	\$ -	\$ -	\$ -
Less: amounts recognized as revenue in the year	-	-	-
Add: amounts received related to expenses of a subsequent period	30,000	25,000	55,000
Ending balance	\$ 30,000	\$ 25,000	\$ 55,000

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

September 30, 2017

8. Long-term Debt

	2017	2016
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	\$ 30,226	\$ 35,554
Scheduled cash repayments required in the next 12 months	(5,328)	(5,328)
Long-term portion of debt	\$ 24,898	\$ 30,226

Regular principal repayments required on long-term debt for the next five years are as follows: 2018 - \$ 5,328.; 2019 - \$ 24,898.; 2020 - \$ Nil.; 2021 - \$ Nil.; and 2022 - \$ Nil.

9. Commitments

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

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

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

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

September 30, 2017

10. Investment in Capital Assets

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

	<u>2017</u>	<u>2016</u>
Capital assets	\$ 81,167	\$ 85,138
Less amounts financed by long-term debt	<u>(30,226)</u>	<u>(35,554)</u>
	<u>\$ 50,941</u>	<u>\$ 49,584</u>

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

	<u>2017</u>	<u>2016</u>
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>

11. Internally Restricted Net Assets

Internally restricted net assets consists of a general contingency fund of \$ 75,000. (2016 - \$ 75,000.). Access to these funds is restricted based on conditions set by the Board of Directors. During the year, \$ Nil. (2016 - \$ 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.

12. Government Subsidies

During the year, the organization received \$ 10,545. (2016 - \$ 12,871.) in wage subsidies. Amounts received during the year are recorded as a direct reduction of wages and employee benefits.

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

September 30, 2017

13. 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	2017	2016
Revenue		
Pledges	\$ 112,950	\$ 120,691
Corporate sponsorship	11,715	8,975
Dream Team	2,155	1,492
	<hr/>	<hr/>
	126,820	131,158
	<hr/>	<hr/>
Operating expenses		
Advertising and promotion	17,989	20,613
Bowler awards and prizes	9,307	8,156
Lane rentals	7,314	7,785
Mail and postage	3,182	1,403
Mileage	998	1,266
Office and miscellaneous	1,067	1,272
Printing	2,785	3,021
Telephone	727	469
Wages	-	6,963
	<hr/>	<hr/>
	43,369	50,948
	<hr/>	<hr/>
	\$ 83,451	\$ 80,210

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

For the year ended September 30	2017	2016
Revenue		
Ticket sales	\$ 492,752	\$ 482,571
Sale of cottage	82,123	-
Cottage donation	5,000	5,000
	<u>579,875</u>	<u>487,571</u>
Cost of goods sold		
Cottage and delivery costs	124,627	112,289
Ending cottage inventory at net realizable value	-	(82,123)
Opening cottage inventory at net realizable value	82,123	-
	<u>206,750</u>	<u>30,166</u>
	<u>373,125</u>	<u>457,405</u>
Operating expenses		
Advertising and promotion	69,468	58,959
Cash prize	-	68,000
Credit card and debit fees	6,863	6,162
Mail and postage	7,787	12,088
Mileage	1,582	1,676
Office and miscellaneous	5,192	4,298
Printing costs	7,107	4,596
Telephone	1,159	1,492
Utilities	821	1,734
Wages	-	6,746
	<u>99,979</u>	<u>165,751</u>
	<u>\$ 273,146</u>	<u>\$ 291,654</u>