

**Big Brothers - Big Sisters of P.E.I. Inc.**  
**Financial Statements**  
**For the Year Ended September 30, 2018**

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## Independent Auditor's Report

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**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, 2018, 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 Sisters 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 Sisters 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, 2018 and 2017, current assets as at September 30, 2018 and 2017, and net assets as at October 1 and September 30 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended September 30, 2017 was modified accordingly because of the possible effects of this limitation of 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, 2018, 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  
February 11, 2019

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

September 30	2018	2017
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 255,385	\$ 267,156
Short-term investments (Note 2)	161,502	158,449
Accounts receivable	21,033	33,665
	437,920	459,270
<b>Capital assets (Note 3)</b>	<b>77,196</b>	<b>81,167</b>
	<b>\$ 515,116</b>	<b>\$ 540,437</b>
<b>Liabilities and Net Assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 5)	\$ 33,637	\$ 37,165
Deferred revenue (Note 6)	-	55,000
Current portion of long-term debt (Note 7)	24,898	5,328
	58,535	97,493
<b>Long-term debt (Note 7)</b>	-	24,898
	<b>58,535</b>	<b>122,391</b>
<b>Net Assets</b>		
Invested in capital assets (Note 9)	52,298	50,941
Internally restricted (Note 10)	75,000	75,000
Unrestricted	329,283	292,105
	456,581	418,046
	<b>\$ 515,116</b>	<b>\$ 540,437</b>

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

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

<b>For the year ended September 30</b>	<b>Invested in capital assets</b>	<b>Internally restricted</b>	<b>Unrestricted</b>	<b>2018 Total</b>	<b>2017 Total</b>
Balance, beginning of the year	\$ 50,941	\$ 75,000	\$ 292,105	\$ 418,046	\$ 431,460
Excess (deficiency) of revenue over expenses (Note 9)	(3,971)	-	42,506	38,535	(13,414)
Net change in invested in capital assets (Note 9)	5,328	-	(5,328)	-	-
<b>Balance, end of the year</b>	<b>\$ 52,298</b>	<b>\$ 75,000</b>	<b>\$ 329,283</b>	<b>\$ 456,581</b>	<b>\$ 418,046</b>

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	2018	2017
<b>Revenue</b>		
Dream Draw Cottage (net - Schedule 2)	\$ 286,405	\$ 273,146
Bowl for Kids' Sake (net - Schedule 1)	82,975	83,451
Grants - Rotary Club of Charlottetown Royalty	30,000	-
Grants - Province of P.E.I.	29,100	29,100
Grants - Rogers Communications Canada Inc.	25,000	-
Donations	9,931	8,025
Interest	4,202	2,797
United Way of P.E.I.	231	164
	<b>467,844</b>	<b>396,683</b>
<b>Operating expenses</b>		
Advertising and recruitment	21,336	10,222
Amortization of capital assets	3,971	3,971
Computer support	359	1,042
Equipment and software purchases	2,184	3,016
Equipment lease	3,963	3,910
Insurance	5,160	4,763
Interest and bank charges	3,047	3,269
Interest on long-term debt	1,506	1,577
Miscellaneous	3,124	1,988
National Agency and regional dues	9,959	10,312
Office improvements	6,325	5,487
Office supplies and postage	7,963	6,845
Professional fees	2,987	2,363
Property taxes	857	335
Rent	6,400	5,415
Special projects	5,944	10,548
Telephone	15,173	14,338
Teen mentoring (Note 13)	51,570	1,240
Training and interagency	779	3,086
Travel	2,266	4,992
Utilities	4,647	4,471
Wages and employee benefits	269,789	306,907
	<b>429,309</b>	<b>410,097</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ 38,535</b>	<b>\$ (13,414)</b>

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	2018	2017
<b>Cash flows from operating activities</b>		
Cash receipts from customers and contributors	\$ 693,733	\$ 793,324
Cash paid to suppliers and employees	(696,772)	(649,724)
Interest received	1,149	179
Interest paid	(4,553)	(4,846)
	(6,443)	138,933
<b>Cash flows from financing activities</b>		
Repayment of long-term borrowings	(5,328)	(5,328)
	(11,771)	133,605
<b>Net increase (decrease) in cash</b>	<b>(11,771)</b>	<b>133,605</b>
Cash, beginning of the year	267,156	133,551
<b>Cash, end of the year</b>	<b>\$ 255,385</b>	<b>\$ 267,156</b>

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



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

## Notes to Financial Statements

September 30, 2018

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### 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.

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

**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. Equipment purchases less than \$ 1,000 are expensed in the year of acquisition.

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

<b>Asset</b>	<b>Method</b>	<b>Rate</b>
Building	Straight-line	4%

**Revenue Recognition** The organization follows the deferral method of accounting for contributions.

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.

Revenue from fundraising activities is recognized when tickets are sold.

**Contributed Services** 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.

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

September 30, 2018

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### 1. Significant Accounting Policies (continued)

<b>Vacation Pay</b>	Vacation pay is accrued as entitlement to these payments is earned.
<b>Financial Instruments</b>	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.
<b>Use of Estimates</b>	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. Such estimates include determining the useful lives of property and equipment. Actual results could differ from management's best estimates as additional information becomes available in the future.

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

September 30, 2018

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### 2. Short-term Investments

Short-term investments consist of a Guaranteed Investment Certificate of \$ 161,502. (2017 - \$ 158,449.) earning interest at a rate of 2%, maturing in March 2019.

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### 3. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 46,000	\$ -	\$ 46,000	\$ -
Building	99,279	68,083	99,279	64,112
	145,279	68,083	145,279	64,112
		\$ 77,196		\$ 81,167

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### 4. Demand Loan

The organization has a demand facility in the amount of \$ Nil. (2017 - \$ 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 the term loan disclosed in Note 7.

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### 5. Accounts Payable and Accrued Liabilities

	2018		2017	
Accrued vacation payable	\$ 14,241	\$ 14,628	\$ 14,241	\$ 14,628
National dues	9,843	9,364	9,843	9,364
Trade payables	9,553	13,173	9,553	13,173
	\$ 33,637	\$ 37,165	\$ 33,637	\$ 37,165

Included in trade payables is \$ 292. (2017 - \$ 254.) in government remittances.

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

September 30, 2018

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### 6. Deferred Revenue

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

	Rotary Club of Charlottetown Royalty	Rogers Communications Canada Inc.	Total
Beginning balance	\$ 30,000	\$ 25,000	\$ 55,000
Less: amounts recognized as revenue in the year	(30,000)	(25,000)	(55,000)
Ending balance	\$ -	\$ -	\$ -

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### 7. Long-term Debt

	2018	2017
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	\$ 24,898	\$ 30,226
Less: current portion of long-term debt	(24,898)	(5,328)
Long-term portion of debt	\$ -	\$ 24,898

The current portion of long-term debt as noted above has been calculated in accordance with Canadian accounting standards for not-for-profit organizations. Management assumes that long-term debt renewal will occur under similar conditions and terms as the currently outstanding debt. The regular scheduled principal repayments required on long-term debt for the next five years in accordance with management's assumptions are as follows: 2019 - \$ 5,333.; 2020 - \$ 5,333.; 2021 - \$ 5,333.; 2022 - \$ 5,333.; and 2023 - \$ 3,565.

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

September 30, 2018

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### 8. Commitments

The organization leases its printer under a long-term operating lease that expires December 1, 2023. The quarterly payments are \$ 840. 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 five years are as follows:

2019	\$	4,371
2020	\$	3,613
2021	\$	3,360
2022	\$	3,360
2023	\$	3,360

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### 9. Investment in Capital Assets

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

	<u>2018</u>	<u>2017</u>
Capital assets	\$ 77,196	\$ 81,167
Less amounts financed by long-term debt	<u>(24,898)</u>	<u>(30,226)</u>
	<u>\$ 52,298</u>	<u>\$ 50,941</u>

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

	<u>2018</u>	<u>2017</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>

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### 10. Internally Restricted Net Assets

Internally restricted net assets consists of a general contingency fund of \$ 75,000. (2017 - \$ 75,000.). Access to these funds is restricted based on conditions set by the Board of Directors. During the year, \$ Nil. (2017 - \$ 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.

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

September 30, 2018

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### 11. Government Subsidies

During the year, the organization received \$ 11,287. (2017 - \$ 10,545.) in wage subsidies. Amounts received during the year are recorded as a direct reduction of wages and employee benefits.

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### 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's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts receivable. 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. This risk has decreased from the prior year due to a decrease in long-term debt.

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### 13. Teen Mentoring

	<u>2018</u>	<u>2017</u>
Supplies	\$ 6,986	\$ 784
Travel	2,875	456
Wages	41,709	-
	<u>\$ 51,570</u>	<u>\$ 1,240</u>

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### 14. Comparative Figures

Certain of the prior year figures have been restated to conform the the financial statement presentation adopted for the current year.

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

<b>For the year ended September 30</b>	<b>2018</b>	<b>2017</b>
<b>Revenue</b>		
Pledges	\$ 112,702	\$ 112,950
Corporate sponsorship	12,835	11,715
Dream Team	2,909	2,155
	<u>128,446</u>	<u>126,820</u>
<b>Operating expenses</b>		
Advertising and promotion	22,282	17,989
Bowler awards and prizes	6,812	9,307
Lane rentals	7,436	7,314
Mail and postage	2,862	3,182
Mileage	1,326	998
Office and miscellaneous	1,352	1,067
Printing	3,025	2,785
Telephone	376	727
	<u>45,471</u>	<u>43,369</u>
	<u>\$ 82,975</u>	<u>\$ 83,451</u>

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

For the year ended September 30	2018	2017
<b>Revenue</b>		
Ticket sales	\$ 508,393	\$ 492,752
Sale of cottage	-	82,123
Cottage donation	5,000	5,000
	<b>513,393</b>	<b>579,875</b>
 <b>Cost of goods sold</b>		
Cottage and delivery costs	135,129	124,627
Net realizable value of cottage sold	-	82,123
	<b>135,129</b>	<b>206,750</b>
	<b>378,264</b>	<b>373,125</b>
 <b>Operating expenses</b>		
Advertising and promotion	54,383	69,468
Credit card and debit fees	5,595	6,863
Mail and postage	9,301	7,787
Mileage	1,169	1,582
Office and miscellaneous	6,154	5,192
Printing	6,642	7,107
Telephone	1,549	1,159
Utilities	871	821
Wages and employee benefits	6,195	-
	<b>91,859</b>	<b>99,979</b>
	<b>\$ 286,405</b>	<b>\$ 273,146</b>