

**Big Brothers - Big Sisters of P.E.I. Inc.
Financial Statements
For the Year Ended September 30, 2020**

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Financial Statements
For the Year Ended September 30, 2020**

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Independent Auditor's Report

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

Qualified Opinion

We have audited the financial statements of Big Brothers - Big Sisters of P.E.I. Inc. (the Entity), which comprise the statement of financial position as at September 30, 2020, 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 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, 2020, 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.

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, 2019 and 2020, current assets as at September 30, 2019 and 2020, and net assets as at October 1 and September 30 for both the 2019 and 2020 years. Our audit opinion on the financial statements for the year ended September 30, 2019 was modified accordingly because of the possible effects of this limitation of scope.

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 Entity 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 audit 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

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 Entity'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 Entity'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 Entity 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.

Chartered Professional Accountants

Charlottetown, Prince Edward Island
March 3, 2021

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

September 30	2020	2019
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Assets
Current

Cash	\$ 380,490	\$ 373,713
Short-term investments (Note 2)	255,610	50,397
Accounts receivable	<u>30,476</u>	<u>21,154</u>
	666,576	445,264
Capital assets (Note 3)	<u>69,254</u>	<u>73,225</u>
	\$ 735,830	\$ 518,489

Liabilities and Net Assets
Current

Accounts payable and accrued liabilities (Note 5)	\$ 47,646	\$ 30,598
Deferred revenue (Note 6)	<u>15,250</u>	<u>-</u>
	62,896	30,598
Long-term debt (Note 7)	<u>30,000</u>	<u>-</u>
	<u>92,896</u>	<u>30,598</u>

Net Assets

Invested in capital assets (Note 9)	69,254	73,225
Internally restricted (Note 10)	125,000	75,000
Unrestricted	<u>448,680</u>	<u>339,666</u>
	<u>642,934</u>	<u>487,891</u>
	\$ 735,830	\$ 518,489

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	2020 Total	2019 Total
Balance, beginning of the year	\$ 73,225	\$ 75,000	\$ 339,666	\$ 487,891	\$ 456,581
Excess (deficiency) of revenue over expenses (Note 9)	(3,971)	-	159,014	155,043	31,310
Internal restrictions (Note 10)	-	50,000	(50,000)	-	-
Balance, end of the year	<u>\$ 69,254</u>	<u>\$ 125,000</u>	<u>\$ 448,680</u>	<u>\$ 642,934</u>	<u>\$ 487,891</u>

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

<u>For the year ended September 30</u>	<u>2020</u>	<u>2019</u>
Revenue		
Dream Draw Cottage (net - Schedule 2)	\$ 307,171	\$ 284,561
Bowl for Kids' Sake (net - Schedule 1)	66,110	79,186
Grants - Federal government	52,284	-
Grants - Rotary Club of Charlottetown Royalty	30,000	30,000
Donations	74,615	15,368
Grants - Royal Bank of Canada	24,568	20,800
Grants - Province of P.E.I.	34,100	29,100
United Way of P.E.I.	22,941	23
Interest	6,521	3,532
	618,310	462,570
Operating expenses		
Advertising and recruitment	9,070	7,772
Amortization of capital assets	3,971	3,971
Computer support	1,379	1,355
Community Foundation Endowment	-	10,000
Equipment and software purchases	2,858	2,156
Equipment lease	3,825	2,595
Insurance	8,585	8,288
Interest and bank charges	3,139	2,794
Interest on long-term debt	-	477
Miscellaneous	2,700	2,239
National Agency and regional dues	10,056	9,822
Office improvements	9,106	9,064
Office supplies and postage	8,685	5,531
Professional fees	4,737	2,908
Property taxes	902	867
Rent	7,045	6,826
Special projects	18,908	5,902
Telephone	7,307	10,705
Teen mentoring (Note 13)	48,353	51,358
Training and interagency	2,917	2,890
Travel	1,330	2,377
Utilities	4,356	4,619
Wages and employee benefits	304,038	276,744
	463,267	431,260
Excess of revenue over expenses	\$ 155,043	\$ 31,310

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

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

<u>For the year ended September 30</u>	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Cash receipts from customers and contributors	\$ 880,955	\$ 745,887
Cash paid to suppliers and employees	(702,347)	(714,025)
Interest received	1,308	1,891
Interest paid	(3,139)	(3,271)
	<u>176,777</u>	<u>30,482</u>
Cash flows from investing activities		
Purchase of investments	(200,000)	(50,397)
Disposal of investments	-	163,141
	<u>(200,000)</u>	<u>112,744</u>
Cash flows from financing activities		
Repayment of long-term borrowings	-	(24,898)
Proceeds from long-term debt	30,000	-
	<u>30,000</u>	<u>-</u>
Net increase in cash	6,777	118,328
Cash, beginning of the year	<u>373,713</u>	<u>255,385</u>
Cash, end of the year	\$ 380,490	\$ 373,713

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

September 30, 2020

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:	
Asset	Method	Rate
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.	

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

September 30, 2020

1. Significant Accounting Policies (continued)

Vacation Pay Vacation pay is accrued as entitlement to these payments as earned.

Financial Instruments 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.

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 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.

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

September 30, 2020

2. Short-term Investments

Short-term investments are comprised of the following:

	<u>2020</u>	<u>2019</u>
At amortized cost:		
Bank of Montreal, Guaranteed Investment Certificates, 1.67%, maturing March 2021	\$ 102,038	\$ -
Bank of Montreal, Guaranteed Investment Certificates, 1.0%, maturing July 2021	<u>100,787</u>	-
	202,825	-
At fair value:		
Portfolio of marketable securities hosted by Community Foundation of PEI (CFPEI)	<u>52,785</u>	<u>50,397</u>
	\$ 255,610	\$ 50,397

3. Capital Assets

	<u>2020</u>		<u>2019</u>	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 46,000	\$ -	\$ 46,000	\$ -
Building	<u>99,279</u>	<u>76,025</u>	<u>99,279</u>	<u>72,054</u>
	<u>145,279</u>	<u>76,025</u>	<u>145,279</u>	<u>72,054</u>
	<u>\$ 69,254</u>		<u>\$ 73,225</u>	

4. Demand Loan

The organization has a demand facility in the amount of \$Nil (2019 - \$Nil) which is available to a maximum of \$20,000, bears interest at the bank's prime + 2%, and is secured by the company owned building.

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

September 30, 2020

5. Accounts Payable and Accrued Liabilities

	2020	2019
Accrued vacation payable	\$ 13,991	\$ 12,397
National dues	10,769	9,828
Trade payables	12,125	8,373
Other payables	<u>10,761</u>	-
	<hr/>	<hr/>
	\$ 47,646	\$ 30,598

6. Deferred Revenue

Deferred revenue represents unspent resources externally restricted for the Teen Mentoring Program and in-school mentoring boxes 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	Telus Friendly Future Foundation	Total
Beginning balance	\$ -	\$ -	\$ -
Less: amounts recognized as revenue in the year	- -	- -	- -
Add: amounts received related to expenses of a subsequent period	<u>5,250</u>	<u>10,000</u>	<u>15,250</u>
Ending balance	<hr/> \$ 5,250	<hr/> \$ 10,000	<hr/> \$ 15,250

7. Long-term Debt

	2020	2019
Bank of Montreal, Canada Emergency Business Account, 0%, less \$10,000 forgivable portion, principal repayment due December 2022	<u>\$ 30,000</u>	\$ -
	<hr/>	<hr/>

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

September 30, 2020

8. Commitments

The organization leases its printer under a long-term operating lease that expires February 2024. The quarterly payments are \$840.

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

2021	\$ 3,360
2022	3,360
2023	3,360
2024	840

9. Investment in Capital Assets

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

	2020	2019
Capital assets	<u>\$ 69,254</u>	<u>\$ 73,225</u>

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

	2020	2019
Amortization of capital assets	<u>\$ (3,971)</u>	<u>\$ (3,971)</u>
Repayment of long-term debt	<u>\$ -</u>	<u>\$ 24,898</u>

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

September 30, 2020

10. Internally Restricted Net Assets

Internally restricted net assets consists of a general contingency fund of \$125,000 (2019 - \$75,000). Access to these funds is restricted based on conditions set by the Board of Directors. During the year, \$50,000 (2019 - \$Nil) was transferred to internally restricted net assets to respond to economic downturns and other unforeseen circumstances that would require immediate funding.

11. Government Subsidies

During the year, the organization received \$19,125 (2019 - \$13,744) in wage subsidies. Amounts received during the year are recorded as a direct reduction of wages and employee benefits.

The organization also received \$46,593 in the Canada Emergency Wage Subsidy (CEWS) and \$5,691 in the Temporary Wage Subsidy for Employers (TWSE). Amounts received during the year are recorded as federal government grants.

12. Financial Instrument Risk

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.

13. Teen Mentoring

	2020	2019
Supplies	\$ 3,558	\$ 5,827
Travel	1,637	2,941
Wages	<u>43,158</u>	<u>42,590</u>
	<hr/>	<hr/>
	\$ 48,353	\$ 51,358

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

September 30, 2020

14. Uncertainty due to COVID-19

In January 2020, the World Health Organization announced a global health emergency due to the COVID-19 outbreak. The full impact of the COVID-19 outbreak continues to evolve as of the report date. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time.

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

<u>For the year ended September 30</u>	<u>2020</u>	<u>2019</u>
Revenue		
Pledges	\$ 96,296	\$ 105,580
Corporate sponsorship	11,150	13,250
Dream Team	<u>2,700</u>	<u>3,354</u>
	110,146	122,184
 Operating expenses		
Advertising and promotion	22,718	20,092
Bowler awards and prizes	9,171	7,959
Lane rentals	7,276	7,275
Mail and postage	250	2,183
Mileage	687	1,457
Office and miscellaneous	1,261	933
Printing	2,600	2,825
Telephone	<u>73</u>	<u>274</u>
	44,036	42,998
	\$ 66,110	\$ 79,186

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

<u>For the year ended September 30</u>	<u>2020</u>	<u>2019</u>
Revenue		
Ticket sales	\$ 526,374	\$ 528,533
Cost of goods sold		
Cottage and delivery costs	<u>125,979</u>	<u>139,602</u>
	<u>400,395</u>	<u>388,931</u>
Operating expenses		
Advertising and promotion	39,321	66,050
Cash prize	13,000	-
Credit card and debit fees	6,680	5,533
Mail and postage	9,821	5,914
Mileage	167	956
Office and miscellaneous	8,560	10,481
Printing	6,384	4,877
Telephone	999	1,083
Utilities	886	1,550
Wages and employee benefits	<u>7,406</u>	<u>7,926</u>
	<u>93,224</u>	<u>104,370</u>
	<u>\$ 307,171</u>	<u>\$ 284,561</u>
