
BIG BROTHERS BIG SISTERS OF GREATER HALIFAX

FINANCIAL STATEMENTS
DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF BIG BROTHERS BIG SISTERS OF GREATER HALIFAX:

We have audited the accompanying financial statements, which comprise the statement of financial position of Big Brothers Big Sisters of Greater Halifax (Big Brothers Big Sisters) as at December 31, 2017 and the statements of operations and changes in fund balances 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 the 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 of 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 organization'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 organization'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.

**Levy
Casey
Carter
MacLean**
Chartered Professional
Accountants

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**INDEPENDENT AUDITOR'S REPORT
(CONTINUED)**

**Levy
Casey
Carter
MacLean**
Chartered Professional
Accountants

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 to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore, we were not able to determine whether any adjustments might be necessary to special fund raising events revenue, donations from individuals and corporations revenue, foundations donation revenue, deficiency of revenue over expenditures for the years ended December 31, 2017 and 2016, assets as at December 31, 2017 and 2016, and fund balances as at January 1, 2017 and 2016, and December 31, 2017, and 2016. Our audit opinion on the financial statements for the year ended December 31, 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 matters described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Big Brothers Big Sisters as at December 31, 2017 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Halifax, Nova Scotia
April 26, 2018


Chartered Professional Accountants
Licensed Public Accountants

BIG BROTHERS BIG SISTERS OF GREATER HALIFAX

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017**

ASSETS					
	<u>Operating Fund</u>	<u>ReNew Crew Fund</u>	<u>Capital Fund</u>	<u>2017</u>	<u>2016</u>
Current					
Cash	\$ 39,041	\$ -	\$ -	\$ 39,041	\$ 86,752
Short term investments	18,507	-	-	18,507	17,718
Receivables (note 3)	34,076	102,134	-	136,210	126,919
Inventory	-	4,084	-	4,084	1,875
Prepaid expenses	<u>1,259</u>	<u>1,845</u>	<u>-</u>	<u>3,104</u>	<u>15,230</u>
	92,883	108,063	-	200,946	248,494
Capital assets (note 4)	<u>-</u>	<u>18,122</u>	<u>68,231</u>	<u>86,353</u>	<u>89,299</u>
	<u>\$ 92,883</u>	<u>\$ 126,185</u>	<u>\$ 68,231</u>	<u>\$ 287,299</u>	<u>\$ 337,793</u>

LIABILITIES					
Current					
Bank indebtedness (note 5)	\$ -	\$ 4,065	\$ -	\$ 4,065	\$ 8,396
Payables and accruals	21,247	36,019	-	57,266	66,917
Deferred revenue (note 6)	40,525	-	-	40,525	51,113
Current portion of long term debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	61,772	40,084	-	101,856	126,426
Interfund balance	<u>120,084</u>	<u>(120,084)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>181,856</u>	<u>(80,000)</u>	<u>-</u>	<u>101,856</u>	<u>126,426</u>

FUND BALANCES					
Unrestricted	(88,973)	206,185	-	117,212	378,050
Investment in capital assets	<u>-</u>	<u>-</u>	<u>68,231</u>	<u>68,231</u>	<u>(166,683)</u>
	<u>(88,973)</u>	<u>206,185</u>	<u>68,231</u>	<u>185,443</u>	<u>211,367</u>
	<u>\$ 92,883</u>	<u>\$ 126,185</u>	<u>\$ 68,231</u>	<u>\$ 287,299</u>	<u>\$ 337,793</u>

On Behalf of the Board

S. M. M. M. M.
Director

K. M. M. M.
Director

BIG BROTHERS BIG SISTERS OF GREATER HALIFAX

**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2017**

	<u>Operating Fund</u>	<u>ReNew Crew Fund</u>	<u>Capital Fund</u>	<u>2017</u>	<u>2016</u>
Revenue					
Provincial government grant	\$ 161,900	\$ -	\$ -	\$ 161,900	\$ 154,400
Special fundraising events	201,013	-	-	201,013	257,125
Earned revenue	-	1,008,539	-	1,008,539	907,290
Donations from individuals and corporations	49,958	-	-	49,958	66,407
Foundations					
Halifax Youth Foundation	40,000	-	-	40,000	40,000
Other	61,066	-	-	61,066	112,817
Mooseheads 50/50 contract	25,980	-	-	25,980	21,107
Miscellaneous	3,946	-	-	3,946	7,253
	<u>543,863</u>	<u>1,008,539</u>	<u>-</u>	<u>1,552,402</u>	<u>1,566,399</u>
Expenditures					
Amortization	-	3,843	2,310	6,153	7,575
Salaries	556,366	317,499	-	873,865	835,782
Employee benefits	67,759	20,427	-	88,186	82,287
Fund development	49,878	-	-	49,878	65,924
Building occupancy	23,240	47,161	-	70,401	67,736
Office expenses	70,488	26,787	-	97,275	93,513
Promotion	20,979	1,548	-	22,527	3,476
Professional fees	13,767	8,764	-	22,531	18,366
Interest & bank charges	9,151	1,566	-	10,717	13,292
Partnership agreement	-	196,164	-	196,164	156,061
Insurance	13,947	1,538	-	15,485	14,918
Management & administrative services	(45,000)	45,000	-	-	-
Transportation	10,188	81,813	-	92,001	84,996
Meeting expenses	5,996	2,117	-	8,113	7,873
Agency dues & fees	14,554	-	-	14,554	14,534
Program materials & supplies	10,476	-	-	10,476	10,693
	<u>821,789</u>	<u>754,227</u>	<u>2,310</u>	<u>1,578,326</u>	<u>1,477,026</u>
Excess (deficiency) of revenue over expenditures	(277,926)	254,312	(2,310)	(25,924)	89,373
Fund balances, beginning of year	226,177	151,873	(166,683)	211,367	121,994
Interfund transfers (note 8)	(37,224)	(200,000)	237,224	-	-
Fund balances, end of year	\$ (88,973)	\$ 206,185	\$ 68,231	\$ 185,443	\$ 211,367

BIG BROTHERS BIG SISTERS OF GREATER HALIFAX

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017**

	Operating Fund	ReNew Crew Fund	Capital Fund	Total 2017	Total 2016
Operating Activities					
Excess (deficiency) of revenue over expenditures	\$ (277,926)	\$ 254,312	\$ (2,310)	\$ (25,924)	\$ 89,373
Amortization	<u>-</u>	<u>3,843</u>	<u>2,310</u>	<u>6,153</u>	<u>7,575</u>
	(277,926)	258,155	-	(19,771)	96,948
Net change in non-cash working capital balances related to operations (note 9)	<u>(10,040)</u>	<u>(9,573)</u>	<u>-</u>	<u>(19,613)</u>	<u>23,015</u>
	<u>(287,966)</u>	<u>248,582</u>	<u>-</u>	<u>(39,384)</u>	<u>119,963</u>
Financing Activities					
Change in interfund balance	41,043	(41,043)	-	-	-
Transfers	200,000	(200,000)	-	-	-
Repayments on long term debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,563)</u>
	<u>241,043</u>	<u>(241,043)</u>	<u>-</u>	<u>-</u>	<u>(11,563)</u>
Investing Activities					
Purchase of computer equipment	-	(3,208)	-	(3,208)	-
Investment in short term investments	<u>(788)</u>	<u>-</u>	<u>-</u>	<u>(788)</u>	<u>(1,409)</u>
	<u>(788)</u>	<u>(3,208)</u>	<u>-</u>	<u>(3,996)</u>	<u>(1,409)</u>
Increase (decrease) in cash during the year					
	(47,711)	4,331	-	(43,380)	106,991
Cash (bank indebtedness), beginning of year	<u>86,752</u>	<u>(8,396)</u>	<u>-</u>	<u>78,356</u>	<u>(28,635)</u>
Cash (bank indebtedness), end of year	<u>\$ 39,041</u>	<u>\$ (4,065)</u>	<u>\$ -</u>	<u>\$ 34,976</u>	<u>\$ 78,356</u>
Represented by:					
Cash	\$ 39,041	\$ -	\$ -	\$ 39,041	\$ 86,752
Bank indebtedness	<u>-</u>	<u>(4,065)</u>	<u>-</u>	<u>(4,065)</u>	<u>(8,396)</u>
	<u>\$ 39,041</u>	<u>\$ (4,065)</u>	<u>\$ -</u>	<u>\$ 34,976</u>	<u>\$ 78,356</u>

BIG BROTHERS BIG SISTERS OF GREATER HALIFAX

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

I. Purpose of the organization

Big Brothers Big Sisters is a local charity whose mission is to put a mentor into the life of every child and youth who needs and wants one. The agency supports child and youth development through essential volunteer-led mentoring programs. Supported by professional staff the outcomes of these services contribute to building a healthy community.

Big Brothers Big Sisters manages a variety of fund raising initiatives to support the organization's mission, including individual, corporate, government and foundation donors as well as fund raising through special events and the agency's social enterprise, ReNew Crew.

ReNew Crew accepts donations of clothing and sells them to Value Village stores which is a for-profit privately held international second-hand store which purchases product from non-profit organizations and then sells these items in their stores - turning otherwise unused items into sustainable revenue that supports the work of their charity partners, including Big Brothers Big Sisters of Greater Halifax. This revenue provides at least \$200,000 annually which helps the agency recruit, screen and train volunteers so it can match local children with positive adult mentors and to further develop programs to meet changing community needs.

Big Brothers Big Sisters of Greater Halifax is incorporated as a not-for-profit organization in Nova Scotia and is exempt from income tax as a registered charity under the Canadian Income Tax Act.

2. Significant accounting policies

The organization has applied the following significant accounting policies:

(a) Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(b) Fund accounting

Big Brothers Big Sisters follows the deferral method of accounting for contributions as follows:

- (i) The Operating Fund accounts for the organization's program delivery and administration activities. This fund reports unrestricted and restricted revenues.
- (ii) The ReNew Crew Fund reports the operations of the ReNew Crew project. This project raises funds to support organizational programs.
- (iii) The Capital Fund reports the capital assets of the organization with the exception of the ReNew Crew Fund.

(c) Contributed services

Volunteers contribute countless hours per year to assist Big Brothers Big Sisters in carrying out its service delivery activities. Because of the difficulty of determining their fair market value, contributed services are not recognized in the financial statements.

BIG BROTHERS BIG SISTERS OF GREATER HALIFAX

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

2. Significant accounting policies (continued)

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks.

(e) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent 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 those estimates. The use of estimates is required primarily in estimating the useful life of capital assets and in determining the collectability of accounts receivable.

(f) Financial instruments

The organization initially measures its financial assets and financial liabilities at fair value, adjusted by the amount of transaction costs directly attributable to the instrument. At each reporting date, the organization subsequently measures all of its financial assets and financial liabilities at amortized cost (less impairment in the case of financial assets), except for short term investments, which must be measured at fair value. Short term investments consist of commonly traded equity and mutual fund investments. All changes in fair value of the organization's short term investments are recorded in the statement of operations. The financial instruments measured at amortized cost are cash, receivables, bank indebtedness, payables and accruals. Transaction costs are amortized on the straight line basis over the term of the instrument.

For financial assets measured at cost or amortized cost, the organization determines whether there are indications of possible impairment. Where there is an indication of impairment, and the organization determines that a significant adverse change has occurred during the period in the expected timing or amounts of future cash flows, a write-down is recognized in the statement of operations. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

(g) Revenue recognition

The organization follows the deferral method of accounting for its contributions.

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Restricted contributions for the purchase of capital assets that will be amortized are deferred and recognized as revenue at the same rate of amortization as the related capital assets. Restricted contributions for the purchase of capital assets that will not be amortized are recognized as a direct increase in net assets of the Capital Fund. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Earned revenue from the ReNew Crew Fund is recognized when title is transferred to the purchaser, the amount can be reasonably estimated and collection is reasonably assured.

Net investment income that is not externally restricted is recognized as it is earned in the statement of operations.

BIG BROTHERS BIG SISTERS OF GREATER HALIFAX

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

2. Significant accounting policies (continued)

(h) Allocated expenses

Management and administrative fees are charged by the Operating Fund to the ReNew Crew Fund based on the estimated time spent by operations staff to support the work of the ReNew Crew project. Salaries for specific initiatives are allocated based on the estimated time spent by employees in the specific area as listed in note 12. All other expenditures are allocated based on actual expenditures.

(i) Donations in kind

Each year individuals and businesses donate prizes to be auctioned off to support the fundraising efforts of the organization. These items are recorded in the accounts at the amount received from the auction proceeds.

(j) Amortization

Amortization is calculated using the declining balance method at rates based on the estimated useful life of the assets, as indicated in note 4.

(k) Impairment of long-lived assets

Capital assets subject to amortization are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the future service potential of the asset. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

(l) Inventory

As discussed in note 7 the organization has an agreement to sell used clothing; the majority of this clothing is donated to the organization and thus has no cost. However, the organization also purchases a portion of its clothing from third party partners in order to meet its sales commitments. The inventory recorded on the statement of financial position represents the average cost of purchased clothing on hand at the end of the year. Once sold, this purchased inventory is included in partnership agreement expenditures on the statement of operations and changes in fund balance.

3. Receivables

	<u>2017</u>	<u>2016</u>
Trade	\$ 119,612	\$ 103,021
HST recoverable	<u>16,598</u>	<u>23,898</u>
	<u>\$ 136,210</u>	<u>\$ 126,919</u>

BIG BROTHERS BIG SISTERS OF GREATER HALIFAX

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

4. Capital assets

	2017				2016
	<u>Rate</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Capital Fund					
Land		\$ 35,500	\$ -	\$ 35,500	\$ 35,500
Building	4%	65,452	36,286	29,166	30,381
Computer hardware	30%	62,376	61,239	1,137	1,625
Computer software	100%	7,271	7,271	-	-
Office equipment	20%	32,747	30,319	2,428	3,035
		<u>\$ 203,346</u>	<u>\$ 135,115</u>	<u>\$ 68,231</u>	<u>\$ 70,541</u>
ReNew Crew Fund					
Leasehold improvements	20%	\$ 6,074	\$ 6,074	\$ -	\$ -
Equipment	20-30%	111,178	96,330	14,848	18,664
Computer equipment	30%	14,478	11,204	3,274	94
		<u>\$ 131,730</u>	<u>\$ 113,608</u>	<u>\$ 18,122</u>	<u>\$ 18,758</u>
Total for both funds		<u>\$ 335,076</u>	<u>\$ 248,723</u>	<u>\$ 86,353</u>	<u>\$ 89,299</u>

5. Bank indebtedness

Terms and conditions

The organization has two authorized lines of credit, payable on demand, with the following details:

- (a) The first has a limit of \$75,000 which bears interest at prime plus 3.15%. The operating line is secured by the property at 86 Ochterloney Street. As at December 31, 2017 there was no balance on this account.
- (b) The second has a limit of \$50,000 which bears interest at prime plus 3.15%. The operating line is secured by the property at 86 Ochterloney Street. As at December 31, 2017 there was no balance on this account.

Subsequent to the end of the year, the organization obtained \$17,850 in debt financing via a 36 month term loan, repayable in equal monthly installments of principle and interest of \$537 at 5.2%. The loan proceeds are to be used to finance the future purchase of new call centre equipment for approximately \$25,000.

BIG BROTHERS BIG SISTERS OF GREATER HALIFAX

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

6. Deferred revenue

Deferred revenue represent funding received in the Operating Fund in the current period that is related to the subsequent period. Changes in the deferred revenue balance are as follows:

	2017			2016
	<u>Provincial Government Grant</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
Balance, beginning of year	\$ 40,475	\$ 10,638	\$ 51,113	\$ 37,684
Add: amount received during the year	161,900	2,878	164,778	173,655
Less: amount recognized as revenue in the year	<u>(161,900)</u>	<u>(13,466)</u>	<u>(175,366)</u>	<u>(160,226)</u>
Balance, end of year	<u>\$ 40,475</u>	<u>\$ 50</u>	<u>\$ 40,525</u>	<u>\$ 51,113</u>

The provincial government grant received by the organization is on a April 1, 2017 to March 31, 2018 funding basis. The organization recognizes the grant into revenue on a evenly monthly basis over this funding period. The other deferred revenue represents funding received for projects and expenses that relate to the subsequent fiscal year.

7. Commitments

The organization has entered into the following commitments:

- (a) The organization has entered into a bulk purchase and sale agreement with a large retailer of used clothing. The organization agrees to sell all of the donated personal property, without exception, which they solicit during the term of the agreement. A two year agreement was signed effective January 1, 2017 to December 31, 2018.
- (b) Lease agreement for vehicles for the ReNew Crew Fund with minimum fixed lease payments required over the next five years as follows:

2018	\$	28,296
2019	\$	28,296
2020	\$	28,296
2021	\$	28,296
2022	\$	28,296

Lease payments are made monthly and are subject to HST and future increases based on CPI. In addition to the monthly fixed payments, the organization is also responsible for monthly variable charges based on \$0.089 per kilometre.

BIG BROTHERS BIG SISTERS OF GREATER HALIFAX

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

8. Interfund transfers

Each year the organization budgets to transfer funds from the ReNew Crew Fund to the Operating Fund to assist in funding operations. The amount is transferred monthly and the budgeted amount is adjusted if the operating results of the ReNew Crew Fund differ substantially from budget. During the year, \$200,000 was transferred from the ReNew Crew Fund to the Operating Fund.

During the year, a one time non-cash equity transfer of \$237,224 was made from the Operating Fund to the Capital Fund in order to settle historical interfund loan balances and a deficit in the Capital Fund.

The interfund balances on the statement of financial position are non-interest bearing and have no set terms of repayment.

9. Net change in non-cash working capital balances related to operations

Increase (decrease) in cash from changes in:

	Operating Fund	ReNew Crew Fund	Capital Fund	2017	2016
Receivables	\$ (340)	\$ (8,952)	\$ -	\$ (9,292)	\$ (1,923)
Prepaid expenses	12,629	(503)	-	12,126	(8,579)
Inventory	-	(2,210)	-	(2,210)	3,048
Payables and accruals	(11,741)	2,092	-	(9,649)	17,040
Deferred revenue	<u>(10,588)</u>	<u>-</u>	<u>-</u>	<u>(10,588)</u>	<u>13,429</u>
	<u>\$ (10,040)</u>	<u>\$ (9,573)</u>	<u>\$ -</u>	<u>\$ (19,613)</u>	<u>\$ 23,015</u>

10. Economic dependence

The revenue of the ReNew Crew Fund is earned almost entirely by way of the bulk purchase and sales agreement with a large retailer of used clothing as discussed in note 7. The ability of the ReNew Crew Fund to generate funding for the Operating Fund is dependent on this agreement.

BIG BROTHERS BIG SISTERS OF GREATER HALIFAX

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

11. Financial instruments

The following are the significant risks that the organization is exposed to through its financial instruments:

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 main credit risks relate to its accounts receivable. The organization has significant exposure to one customer, as described in note 10. The organization has a twenty year relationship with this customer and has not experienced collection issues in the past; therefore, management believes collection risk is low.

Management has determined that there are no other significant risks.

12. Allocation of salaries and benefits

	<u>Total 2017</u>	<u>Total 2016</u>
Fund development	\$ <u>5,097</u>	\$ <u>12,771</u>

These salaries and benefits have been allocated to the above expenditures as per note 2 (h), and are in addition to the salaries expenditure listed on the statement of operations.