

Big Brothers Big Sisters Ottawa /
Grands Frères Grandes Soeurs d'Ottawa
Financial Statements
For the year ended December 31, 2019

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Independent Auditor's Report

To the members of
Big Brothers Big Sisters Ottawa / Grands Frères Grandes Soeurs d'Ottawa

Qualified Opinion

We have audited the accompanying financial statements of Big Brothers Big Sisters Ottawa / Grands Frères Grandes Soeurs d'Ottawa (the Organization), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in fund balances 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 section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019, and its results of 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, the Organization derives revenue from donations and special 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 donations and special fundraising activities revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2019 and 2018, current assets as at December 31, 2019 and 2018, and fund balances as at January 1 and December 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended December 31, 2018 was modified accordingly because of the possible effects of this limitation in 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 Organization 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 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.

In preparing the financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 Organization'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 Organization'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 Organization 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
March 23, 2020

Big Brothers Big Sisters Ottawa /
Grands Frères Grandes Soeurs d'Ottawa
Statement of Financial Position

December 31	2019	2018
Assets		
Current		
Cash	\$ 90,091	\$ 76,344
Guaranteed investment certificates	-	20,135
Accounts receivable (Note 2)	59,796	106,520
Prepaid expenses	11,862	13,353
	161,749	216,352
Tangible capital assets (Note 3)	67,173	95,070
Tangible capital asset under capital lease (Note 4)	59,597	-
	\$ 288,519	\$ 311,422
Liabilities and Fund Balances		
Current		
Accounts payable and accrued liabilities	\$ 86,441	\$ 56,300
Deferred contributions (Note 6)	145,373	157,654
Current portion of capital lease obligation (Note 8)	9,220	-
	241,034	213,954
Deferred contributions related to tangible capital assets (Note 7)	44,695	55,436
Capital lease obligation (Note 8)	44,939	-
	330,668	269,390
Contractual obligations (Note 9)		
Subsequent event (Note 10)		
Fund Balances (Deficiency)		
Unrestricted		
General Fund (Deficiency)	(85,065)	(12,602)
Invested in Tangible Capital Assets	27,916	39,634
Internally restricted		
Operating Contingency Reserve Fund	15,000	15,000
	(42,149)	42,032
	\$ 288,519	\$ 311,422

On behalf of the Board:

_____ Director

_____ Director

Big Brothers Big Sisters Ottawa /
Grands Frères Grandes Soeurs d'Ottawa
Statement of Changes in Fund Balances

For the year ended December 31	Unrestricted - General fund (Deficiency)	Unrestricted - Invested in Tangible Capital Assets	Internally restricted - Operating contingency reserve fund	2019	2018
Balance, beginning of the year	\$ (12,602)	\$ 39,634	\$ 15,000	\$ 42,032	\$ 62,843
Deficiency of revenues over expenses	(84,181)	-	-	(84,181)	(20,811)
Acquisition of tangible capital assets	(20,320)	20,320	-	-	-
Amortization of tangible capital assets	27,522	(27,522)	-	-	-
Loss on sale of tangible capital asset	12,695	(12,695)	-	-	-
Repayment of capital lease obligation	(6,607)	6,607	-	-	-
Amortization of tangible capital asset under capital lease	9,169	(9,169)	-	-	-
Contributions related to tangible capital assets	15,000	(15,000)	-	-	-
Amortization of deferred contributions related to tangible capital assets	(25,741)	25,741	-	-	-
Balance, end of the year	\$ (85,065)	\$ 27,916	\$ 15,000	\$ (42,149)	\$ 42,032

The notes are an integral part of these financial statements.

Big Brothers Big Sisters Ottawa /
Grands Frères Grandes Soeurs d'Ottawa
Statement of Operations

For the year ended December 31	2019	2018
Revenues		
City of Ottawa	\$ 228,392	\$ 223,914
United Way / Centraide Ottawa	147,754	173,211
Grants	355,202	381,883
Special fundraising activities	232,928	221,795
Third party events	62,549	28,623
Ontario Ministry of Education	84,410	97,867
Annual giving	82,774	73,356
Other	123	474
	<u>1,194,132</u>	<u>1,201,123</u>
Expenses		
Advertising and promotion	29,096	18,702
Bad debts	47,916	-
Event specific costs	10,713	9,253
Fundraising	83,308	82,063
Group programs and materials	15,071	10,441
Insurance	27,177	27,494
Interest and bank charges	8,826	8,879
Loss on sale of tangible capital asset	12,695	-
Meeting and staff development	13,433	12,535
Membership fees	15,444	15,047
Occupancy costs	51,808	46,819
Office supplies	25,921	30,970
Professional fees	77,757	98,246
Salaries and benefits	776,730	780,211
Telecommunications	21,108	16,815
Travel	17,311	19,581
Volunteer development and recognition	7,308	15,295
	<u>1,241,622</u>	<u>1,192,351</u>
Excess (deficiency) of revenues over expenses before undernoted item	(47,490)	8,772
Amortization of tangible capital assets	27,522	29,583
Amortization of tangible capital asset under capital lease	9,169	-
Deficiency of revenues over expenses	<u>\$ (84,181)</u>	<u>\$ (20,811)</u>

Big Brothers Big Sisters Ottawa /
Grands Frères Grandes Soeurs d'Ottawa
Statement of Cash Flows

For the year ended December 31	2019	2018
Cash flows from operating activities		
Deficiency of revenues over expenses	\$ (84,181)	\$ (20,811)
Items not affecting cash:		
Amortization of tangible capital assets	27,522	29,583
Amortization of tangible capital asset under capital lease	9,169	-
Amortization of deferred capital contributions related to tangible capital assets	(25,741)	(15,148)
Deferred capital contribution received	15,000	-
Loss on sale of tangible capital asset	12,695	-
	<u>(45,536)</u>	<u>(6,376)</u>
Changes in non-cash working capital:		
Accounts receivable	46,724	(39,108)
Prepaid expenses	1,490	(6,438)
Accounts payable and accrued liabilities	30,142	(58,958)
Deferred contributions	(12,281)	38,121
	<u>20,539</u>	<u>(72,759)</u>
Cash flows from investing activities		
Acquisition of tangible capital assets	(20,320)	(2,614)
Purchase of guaranteed investment certificates	-	(20,135)
Redemption of guaranteed investment certificates	20,135	115,165
	<u>(185)</u>	<u>92,416</u>
Cash flows from financing activities		
Repayment of capital lease obligation	(6,607)	-
Net increase in cash	13,747	19,657
Cash, beginning of the year	<u>76,344</u>	<u>56,687</u>
Cash, end of the year	<u>\$ 90,091</u>	<u>\$ 76,344</u>

Big Brothers Big Sisters Ottawa /
Grands Frères Grandes Soeurs d'Ottawa
Notes to Financial Statements

December 31, 2019

1. Accounting Policies

Status and Purpose of Organization	Big Brothers Big Sisters Ottawa / Grands Frères Grandes Soeurs d'Ottawa is a not-for-profit organization incorporated without share capital under the laws of the Ontario Corporations Act. The organization's purpose is to foster, facilitate and support volunteer-based mentoring programs for children in need. The organization is a registered charity under the Income Tax Act and, as such, is exempt from income taxes and may issue income tax receipts to donors.
Basis of Accounting	The organization applies the Canadian accounting standards for not-for-profit organizations.
Use of Estimates	The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses for the year covered. The main estimates relate to the valuation of accounts receivable and the estimated useful life of tangible capital assets and of tangible capital asset under capital lease.
Fund Accounting	<p>The organization uses the restricted fund method of accounting for contributions. The organization has three funds: a General Fund, a Tangible Capital Assets Fund and an Operating Contingency Reserve Fund.</p> <p>The General Fund accounts for current operations and programs as well as the organization's general operations. Unrestricted contributions (donations and grants) and restricted contributions to be used for operations are reported in this fund.</p> <p>The Tangible Capital Assets Fund reports the assets, liabilities, revenues and expenses related to tangible capital assets.</p> <p>The Operating Contingency Reserve Fund is an internally restricted fund that was created to ensure that all contractual and legal commitments can be met.</p>

Big Brothers Big Sisters Ottawa /
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Notes to Financial Statements

December 31, 2019

1. Accounting Policies (continued)

Revenue Recognition Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions related to the purchase of tangible capital assets are deferred and recognized as revenue on the same basis as the amortization expense related to the contributed tangible capital assets.

Financial Instruments Initial and subsequent measurement
The organization initially measures its financial assets and liabilities at fair value. The organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Impairment
Financial assets measured at amortized cost are tested for impairment when there are indications of possible impairment.

Transaction costs
Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in the statement of operations over the life of the instrument using the straight-line method.

Tangible Capital Assets and Tangible capital asset under capital lease Tangible capital assets and tangible capital asset under capital lease are accounted for at cost and amortized on the basis of their useful life using the straight-line basis at the following durations:

Clothing bins	7 years
Computer equipment	3 years
Furniture and equipment	5 years
Truck	5 years
Leasehold improvements	term of the lease
Website	5 years
Leased Truck	5 years

Big Brothers Big Sisters Ottawa /
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Notes to Financial Statements

December 31, 2019

1. Accounting Policies (continued)

Leases	Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of the lease. Assets under capital leases are stated at cost less accumulated amortization.
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.
Contributed Materials	Due to the difficulty in determining the fair value of materials contributed to the organization they are not recognized in the financial statements.

2. Accounts Receivable

	<u>2019</u>		<u>2018</u>
Accrued receivables	\$ 49,246	\$	48,639
Harmonized sales tax receivable	10,550		9,965
Receivable from Big Brothers Big Sisters Canada	-		47,916
	<u>\$ 59,796</u>	\$	<u>106,520</u>

Big Brothers Big Sisters Ottawa /
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Notes to Financial Statements

December 31, 2019

3. Tangible Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Clothing bins	\$ 42,766	\$ 13,679	\$ 27,845	\$ 6,741
Computer equipment	46,152	38,686	42,986	31,535
Furniture and equipment	25,037	25,037	25,037	25,037
Truck	-	-	32,014	9,184
Leasehold improvements	108,366	91,211	108,366	84,961
Website	26,553	13,088	24,319	8,039
	<u>\$ 248,874</u>	<u>\$ 181,701</u>	<u>\$ 260,567</u>	<u>\$ 165,497</u>
Net carrying amount		<u>\$ 67,173</u>		<u>\$ 95,070</u>

4. Tangible Capital Asset Under Capital Lease

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Leased truck	\$ 68,766	\$ 9,169	\$ -	\$ -
Net carrying amount		<u>\$ 59,597</u>		<u>\$ -</u>

5. Line of Credit

The organization has a line of credit for a maximum of \$25,000 at the prime rate plus 2.40%. As of December 31, 2019, the remaining balance available was \$25,000 (2018 - \$25,000).

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6. Deferred Contributions

Deferred contributions consists of amounts received before year-end for future programs and initiatives. The variations in the balance are as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 157,654	\$ 119,533
Plus: amounts received during the year	628,989	714,002
Less: amounts recognized as revenue in the year	<u>(641,270)</u>	<u>(675,881)</u>
Balance, end of year	<u>\$ 145,373</u>	<u>\$ 157,654</u>

7. Deferred Contributions Related to Tangible Capital Assets

Deferred contributions related to tangible capital assets represents contributions received for tangible capital assets. The variations in the balance are as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 55,436	\$ 70,584
Plus: amount received during the year	15,000	-
Less: amount amortized to operations	<u>(25,741)</u>	<u>(15,148)</u>
Balance, end of year	<u>\$ 44,695</u>	<u>\$ 55,436</u>

Big Brothers Big Sisters Ottawa /
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Notes to Financial Statements

December 31, 2019

8. Capital Lease Obligation

	2019	2018
Lease, 5.13%, due April 2025, payable by monthly instalments of \$982, principal and interest.	\$ 54,159	\$ -
Less: current portion	9,220	-
	\$ 44,939	\$ -

Repayments to be made during the next five years are as follows:

2020	\$	11 790
2021		11 790
2022		11 790
2023		11 790
2024		11 790
Subsequently		2 947
		61 897
Less: imputed interest		(7 738)
	\$	54 159

9. Contractual Obligations

The organization leases its premises under a lease expiring on August 31, 2021 and also leases equipment under a lease expiring on April 30, 2020. The organization also signed an agreement for event management and secure information management. Future minimum lease payments for premises, equipment, event management and secure information management total \$67,486 and include the following payments over the next five years:

2020	\$	41,778
2021	\$	8,916
2022	\$	8,916
2023	\$	5,248
2024	\$	2,628

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December 31, 2019

10. Subsequent Event

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the organization is not able to estimate the effects of the COVID-19 outbreak on the results of operations, financial condition, or liquidity at this time.

11. Statement of Cash Flows

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statement of cash flows. The following summarizes significant non-cash transactions during the year:

	2019	2018
Acquisition of leased truck	\$ (68,766)	\$ -
Trade in value of disposed truck	\$ 8,000	\$ -
Capital lease obligation	\$ 60,766	\$ -

12. Financial Instruments

Credit risk

The organization is exposed to credit risk for its accounts receivable to the extent that other organizations and/or individuals fail to meet their obligations or commitments.

13. Employee Future Benefits

Defined contribution pension plan

The organization is a participating employer in a multi-employer defined contribution pension plan for its unionized employees. The employer contributions for the year are \$12,852 (2018 - \$14,035).