

Financial Statements of

**BIG BROTHERS BIG SISTERS OF
SASKATOON AND AREA INC.**

Year ended June 30, 2016



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INDEPENDENT AUDITORS' REPORT

To the Members of Big Brothers Big Sisters of Saskatoon and Area Inc.

We have audited the accompanying financial statements of Big Brothers Big Sisters of Saskatoon and Area Inc. which comprise the statement of financial position as at June 30, 2016, the statements of revenues and expenses, net assets, and cash flows for the year then ended, and notes and schedules, comprising 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.

Auditors' 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 our 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, we consider 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 charitable organizations, Big Brothers Big Sisters of Saskatoon and Area Inc. derives revenue from fundraising and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to amounts recorded in the records of Big Brothers Big Sisters of Saskatoon and Area Inc. Therefore, we were not able to determine whether, as at and for the years ended June 30, 2016 and June 30, 2015, any adjustments might be necessary to fundraising and donations revenue and excess of revenues over expenses reported in the statements of revenues and expenses, excess (deficiency) of revenues over expenses on the statements of cash flows and current assets and net assets in the statement of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended June 30, 2015.

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 Saskatoon and Area Inc. as at June 30, 2016 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that extends to the right.

Chartered Professional Accountants

September 21, 2016
Saskatoon, Canada

BIG BROTHERS BIG SISTERS OF SASKATOON AND AREA INC.

Statement of Financial Position

June 30, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 146,583	\$ 212,816
Accounts receivable	83,417	64,482
Short term investments	30,477	10,080
Prepaid expenses and deposits	25,273	23,969
	<u>285,750</u>	<u>311,347</u>
Long-term investments	-	20,160
Land, building and equipment (note 2)	620,940	631,663
	<u>\$ 906,690</u>	<u>\$ 963,170</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 3)	\$ 98,195	\$ 120,871
Deferred revenue (note 4)	26,909	43,125
Current portion of long-term debt (note 5)	5,873	5,517
Current portion of deferred contributions for interest on long-term debt (note 5)	9,883	10,239
	<u>140,860</u>	<u>179,752</u>
Long-term debt (note 5)	153,968	159,841
Deferred contributions for interest on long-term debt (note 5)	85,043	94,926
Deferred contributions for equipment (note 6)	8,831	14,820
Net assets:		
Operating surplus	160,646	167,511
Equity in land, building and equipment	357,342	346,320
	<u>517,988</u>	<u>513,831</u>
	<u>\$ 906,690</u>	<u>\$ 963,170</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

BIG BROTHERS BIG SISTERS OF SASKATOON AND AREA INC.

Statement of Revenues and Expenses

Year ended June 30, 2016, with comparative information for 2015

	2016	2015
Revenues:		
Fundraising	\$ 352,826	\$ 399,417
Other grant revenue	339,685	257,510
Provincial Government - Ministry of Social Services	317,989	333,713
United Way	171,935	190,547
Canada Immigration and Citizenship	80,266	72,843
Donations	44,298	46,873
City of Saskatoon	44,079	41,529
Rent	33,505	29,505
Interest	1,917	2,428
	<u>1,386,500</u>	<u>1,374,365</u>
Expenses:		
Wages	815,740	815,586
Fundraising	140,044	146,472
Benefits	131,244	128,084
Rent, occupancy and utilities	66,608	74,013
Program activities	55,453	36,698
Staff and board development	30,776	34,072
Office supplies and miscellaneous	23,320	30,402
Professional fees	23,148	26,126
Travel	18,735	27,521
Membership fees	17,302	16,946
Property taxes	15,379	16,229
Insurance	10,898	9,329
Volunteer recruitment and promotion	10,675	48,311
	<u>1,359,322</u>	<u>1,409,789</u>
Excess (deficiency) of revenue over expenses before the undernoted	27,178	(35,424)
Amortization of building and equipment	(23,021)	(26,477)
Excess (deficiency) of revenue over expenses	<u>\$ 4,157</u>	<u>\$ (61,901)</u>

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF SASKATOON AND AREA INC.

Statement of Net Assets

Year ended June 30, 2016, with comparative information for 2015

	2016	2015
Operating Surplus		
Balance, beginning of year	\$ 167,511	\$ 232,208
Excess (deficiency) of revenue over expenses	4,157	(61,901)
Transfers (to) from equity in land, building and equipment for:		
Purchase of equipment	(18,213)	(9,659)
Principal payments on long-term debt	(15,756)	(15,756)
Amortization of building and equipment	23,021	26,477
Deferred contributions for equipment	1,297	(1,170)
Purchase of building additions	(1,371)	(2,688)
Balance, end of year	\$ 160,646	\$ 167,511
Equity in Land, Building and Equipment		
Balance, beginning of year	\$ 346,320	\$ 343,524
Transfers from (to) operating surplus for:		
Purchase of equipment	18,213	9,659
Principal payments on long-term debt	15,756	15,756
Amortization of building and equipment	(23,021)	(26,477)
Deferred contributions for equipment	(1,297)	1,170
Purchase of building additions	1,371	2,688
Balance, end of year	\$ 357,342	\$ 346,320

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF SASKATOON AND AREA INC.

Statement of Cash Flows

Year ended June 30, 2016, with comparative information for and 2015

	2016	2015
Cash flows from (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 4,157	\$ (61,901)
Item not involving cash:		
Amortization of building and equipment	23,021	26,477
Change in non-cash operating working capital:		
Accounts receivable	(18,935)	31,235
Prepaid expenses and deposits	(1,304)	5,681
Accounts payable and accrued liabilities	(22,676)	(36,921)
Deferred revenue	(16,216)	(38,195)
	<u>(31,953)</u>	<u>(73,624)</u>
Financing:		
Principal payments on long-term debt	(15,756)	(15,756)
Deferred contributions for equipment	1,297	(1,170)
	<u>(14,459)</u>	<u>(16,926)</u>
Investing:		
Purchase of equipment	(18,213)	(9,659)
Purchase of building additions	(1,371)	(2,688)
Purchase of investments	(30,477)	(30,240)
Disposal of investments	30,240	28,054
	<u>(19,821)</u>	<u>(14,533)</u>
Decrease in cash and cash equivalents	(66,233)	(105,083)
Cash and cash equivalents, beginning of year	212,816	317,899
Cash and cash equivalents, end of year	<u>\$ 146,583</u>	<u>\$ 212,816</u>

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF SASKATOON AND AREA INC.

Notes to Financial Statements

Year ended June 30, 2016

Biography:

Big Brothers Big Sisters of Saskatoon and Area Inc. ("BBBS") is registered as a charitable organization without share capital under the Non-Profit Corporations Act (Saskatchewan). BBBS is not liable for any federal or provincial income taxes under the Income Tax Act (Canada). BBBS is a community supported organization committed to the healthy development of children and youth and their families through quality volunteer mentoring relationships.

1. Significant accounting policies:

(a) Basis of preparation:

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations in accordance with Part III of the CPA Canada Handbook.

(b) 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include the collectibility of accounts receivable, the estimated useful lives of building and equipment and the estimate of deferred revenue. Actual results could differ from these estimates.

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and balances with financial institutions which are highly liquid and which have an initial term to maturity of less than 90 days.

(d) Land, building and equipment:

Land is stated at cost. Building and equipment are stated at cost less accumulated amortization. Amortization is provided over the estimated useful lives of the assets using the following method and annual rates:

Asset	Method	Rate
Building	Straight-line	25 years
Furniture and equipment	Straight-line	5 years
Leasehold improvements	Straight-line	5 years

BIG BROTHERS BIG SISTERS OF SASKATOON AND AREA INC.

Notes to Financial Statements (continued)

Year ended June 30, 2016

1. Significant accounting policies (continued):

Grants for building and equipment purchases are deferred and amortized on the same basis as the assets to which they relate. Amortization of capital grants is netted against amortization of building and equipment for financial statement presentation purposes.

(e) Revenue recognition:

Grant revenue is recognized as earned based on the terms of the grant agreement. Grants received for special projects are recognized as revenue in the period the related expenditure is incurred. Other revenue is recognized as earned when receivable.

(f) Gifts in kind:

Donations of products and services are not included in these financial statements. Donations for tickets to local events which were distributed to children, families, and volunteers involved in BBBS programs were \$33,994 (2015 - \$24,565).

(g) Net assets:

The operating surplus represents the accumulated excess of program funding over program expenses and transfers to and from equity in land, building, and equipment.

Equity in land, building and equipment represents the unamortized cost of the land, building and equipment of BBBS net of related debt and applicable funding and recognizes that portion of net assets invested in land, building and equipment and unavailable for program funding.

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. BBBS has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

With respect to financial assets measured at cost or amortized cost, BBBS recognizes in excess of revenue over expenses an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in excess of revenue over

BIG BROTHERS BIG SISTERS OF SASKATOON AND AREA INC.

Notes to Financial Statements (continued)

Year ended June 30, 2016

1. Significant accounting policies (continued):

expenses in the period the reversal occurs.

(i) Allocation of expenses:

Big Brothers Big Sisters of Saskatoon and Area Inc. allocates certain administration expenses to its various locations. These allocations are made by identifying the appropriate basis of allocation by type of expense and location.

2. Land, building and equipment:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 315,000	\$ -	\$ 315,000	\$ 315,000
Building	408,951	135,549	273,402	288,362
Furniture and equipment	260,312	227,774	32,538	27,964
Leasehold improvement	2,786	2,786	-	337
	<u>\$ 987,049</u>	<u>\$ 366,109</u>	<u>\$ 620,940</u>	<u>\$ 631,663</u>

Amortization of building and equipment was \$30,307 (2015 - 35,733). For financial statement presentation purposes, this amount is netted against amortization of deferred contributions for equipment of \$7,286 (2015 - \$9,256) for a net amortization expense of \$23,021 (2015 - \$26,477).

3. Accounts payable and accrued liabilities:

BBBS has total accounts payable and accrued liabilities of \$98,195 at June 30, 2016 (2015 - \$120,871) that includes \$Nil of payroll remittances payable (2015 - \$19,986).

BIG BROTHERS BIG SISTERS OF SASKATOON AND AREA INC.

Notes to Financial Statements (continued)

Year ended June 30, 2016

4. Deferred revenue:

	2016	2015
Community Initiatives Fund	16,000	16,000
Ministry of Social Services	10,909	-
Saskatoon Community Foundation	-	10,000
SaskEnergy	-	10,000
Third Avenue Church	-	5,000
Other	-	2,125
	\$ 26,909	\$ 43,125

5. Long-term debt:

	2016	2015
(i) Mortgage payable to the Muttart Foundation, due September 1, 2032 repayable in monthly instalments of \$1,050 per month, non-interest bearing, secured by land and building located at 182 Wall Street, Saskatoon, Saskatchewan. The mortgage has been valued using an interest rate of 6.5%	\$ 125,876	\$ 130,142
(ii) Mortgage payable to the Muttart Foundation, due November 1, 2032 repayable in monthly instalments of \$263 per month, non-interest bearing, secured by land and building located at 182 Wall Street, Saskatoon, Saskatchewan. The mortgage has been valued using an interest rate of 5.5%	33,965	35,216
	159,841	165,358
Current portion	5,873	5,517
	\$ 153,968	\$ 159,841

(i) The excess of the original mortgage payable on purchase of the land and building of \$315,000 over the present value of the mortgage, using an effective interest rate of 6.5%, of \$156,350 has been recorded as a deferred contribution for interest on long-term debt. This amount is being amortized to offset the notional interest expense accreted on the long-term debt. During 2016, \$8,334 (2015 - \$8,602) of deferred contributions for interest on long-term debt has been reflected against interest expense on the statement of revenue and expenses.

BIG BROTHERS BIG SISTERS OF SASKATOON AND AREA INC.

Notes to Financial Statements (continued)

Year ended June 30, 2016

5. Long-term debt (continued):

(ii) The excess of the additional mortgage payable on the land and building of \$75,000 over the present value of the mortgage, using an effective interest rate of 5.5%, of \$42,129 has also been recorded as a deferred contribution for interest on long-term debt. This amount is being amortized to offset the notional interest expense accreted on the long-term debt. During 2016, \$1,906 (2015 - \$1,972) of deferred contributions for interest on long-term debt has been reflected against interest expense on the statement of revenue and expenses.

Estimated repayments of long-term debt and amortization of deferred contributions for interest on long-term debt are as follows:

	Long-term debt	Deferred contributions	Total
2017	\$ 5,873	\$ 9,883	\$ 15,756
2018	6,252	9,504	15,756
2019	6,656	9,100	15,756
2020	7,087	8,669	15,756
2021	7,545	8,211	15,756
Thereafter	126,428	49,559	175,987
	\$ 159,841	\$ 94,926	\$ 254,767

6. Deferred contributions for equipment:

Deferred contributions for equipment is comprised of the unamortized contributions used to purchase equipment. The amortization of these deferred contributions is recorded as a reduction of amortization expense in the statement of revenue and expenses.

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Furniture and equipment	\$ 99,378	\$ 90,547	\$ 8,831	\$ 14,820

BIG BROTHERS BIG SISTERS OF SASKATOON AND AREA INC.

Notes to Financial Statements (continued)

Year ended June 30, 2016

7. Lease commitment:

BBBS is committed to minimum annual lease payments under its operating lease for office space in North Battleford, Saskatchewan as follows:

2017	\$	4,000
	\$	4,000

8. Financial instruments and risk management:

Cash is recorded at fair value. For certain BBBS' financial instruments including accounts receivable, short and long-term investments, and accounts payable and accrued liabilities, the carrying amounts approximate fair value due to the immediate or short-term maturity of these items or investments with market rates of interest. Long-term debt, which arose in the purchase of land and building, bears no interest. This long-term debt has been valued at the interest rate expected to be payable on a long-term debt instrument with similar repayment and maturity terms.

BBBS is exposed to interest rate risk arising on amounts invested in interest bearing cash and investment accounts with major Canadian financial institutions. BBBS is not exposed to significant market or credit risk. Short and long-term investments consists of guaranteed investment certificates which have nominal market risk. Credit risk related to cash and investment accounts is minimized by dealing with financial institutions that have strong credit ratings. Credit risk related to accounts receivable is considered minimal.

9. Capital management:

BBBS does not have any externally imposed capital requirements. Capital requirements consisting of surplus accounts and long-term debt are determined based on estimated financing requirements and prevailing economic conditions.

10. Endowment fund:

During 2014, BBBS established the Wayne Wiens' Endowment in support of BBBS with the Saskatoon Community Foundation (the "Foundation") and deposited \$46,642 with the Foundation. Earnings from this endowment fund are to be transferred to BBBS pursuant to the terms of endowment. During 2016, BBBS received \$1,700 (2015 - \$1,037) in allocations from the Foundation.

11. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

BIG BROTHERS BIG SISTERS OF SASKATOON AND AREA INC.

Statement of Revenue and Expenses by Location

Year ended June 30, 2016

	Saskatoon	North Battleford	Prince Albert	Melfort	Humboldt	Total
Revenue:						
Other grant revenue	\$ 225,445	\$ 24,000	\$ 31,534	\$ 27,570	\$ 31,136	\$ 339,685
Fundraising	88,092	70,645	126,987	7,754	59,348	352,826
Provincial Government - Ministry of Social Services	276,550	9,510	24,159	-	7,770	317,989
United Way	171,935	-	-	-	-	171,935
Canada Immigration and Citizenship	80,266	-	-	-	-	80,266
Donations	33,125	350	6,552	847	3,424	44,298
City of Saskatoon	44,079	-	-	-	-	44,079
Rent	33,505	-	-	-	-	33,505
Interest	1,700	217	-	-	-	1,917
	954,697	104,722	189,232	36,171	101,678	1,386,500
Expenses:						
Wages	643,225	31,628	57,796	9,258	73,833	815,740
Fundraising	11,851	37,341	76,678	3,335	10,839	140,044
Benefits	102,818	2,406	7,772	1,417	16,831	131,244
Rent, occupancy and utilities	37,069	8,896	8,258	2,373	10,012	66,608
Program activities	48,226	1,098	3,455	410	2,264	55,453
Staff and board development	20,071	1,830	3,052	355	5,468	30,776
Office supplies and miscellaneous	16,822	1,385	3,038	537	1,538	23,320
Professional fees	16,489	1,306	2,612	828	1,913	23,148
Travel	12,979	1,936	2,057	305	1,458	18,735
Membership fees	11,949	1,139	2,386	563	1,265	17,302
Property taxes	15,379	-	-	-	-	15,379
Insurance	8,114	450	881	277	1,176	10,898
Recruitment and promotion	4,322	1,108	309	-	4,936	10,675
	949,314	90,523	168,294	19,658	131,533	1,359,322
Excess (deficiency) of revenue over expenses before the undernoted						
	5,383	14,199	20,938	16,513	(29,855)	27,178
Amortization of building and equipment						
	(18,475)	(1,444)	(2,499)	(312)	(291)	(23,021)
Inter-agency allocation						
	37,104	(8,184)	(14,148)	(4,320)	(10,452)	-
Excess (deficiency) of revenue over expenses						
	\$ 24,012	\$ 4,571	\$ 4,291	\$ 11,881	\$ (40,598)	\$ 4,157

BIG BROTHERS BIG SISTERS OF SASKATOON AND AREA INC.

Statement of Revenue and Expenses by Location

Year ended June 30, 2015

	Saskatoon	North Battleford	Prince Albert	Melfort	Humboldt	Total
Revenue:						
Fundraising	\$ 163,275	\$ 42,915	\$ 124,256	\$ 15,830	\$ 53,141	\$ 399,417
Provincial Government - Ministry of Social Services	278,877	10,007	35,923	375	8,531	333,713
Other grant revenue	97,536	24,854	42,839	26,865	41,225	257,510
United Way	189,954	-	593	-	-	190,547
Canada Immigration and Citizenship	97,034	-	-	-	-	72,843
Donations	42,337	1,839	894	170	1,633	46,873
City of Saskatoon	41,529	-	-	-	-	41,529
Rent	29,505	-	-	-	-	29,505
Interest	242	2,186	-	-	-	2,428
	940,289	81,801	204,505	43,240	104,530	1,374,365
Expenses:						
Wages	611,762	48,738	71,603	15,163	68,320	815,586
Fundraising	72,573	24,592	39,590	2,125	7,592	146,472
Benefits	96,273	5,634	10,504	1,356	14,317	128,084
Rent, occupancy and utilities	40,100	8,597	12,846	2,684	9,786	74,013
Recruitment and promotion	35,086	3,035	4,700	1,458	4,032	48,311
Program activities	29,899	537	4,395	754	1,113	36,698
Staff and board development	24,717	1,559	4,035	844	2,917	34,072
Office supplies and miscellaneous	22,206	973	3,867	1,000	2,356	30,402
Travel	12,102	5,571	3,292	3,796	2,760	27,521
Professional fees	15,923	2,343	5,374	789	1,697	26,126
Membership fees	12,609	1,006	2,096	489	746	16,946
Property taxes	16,229	-	-	-	-	16,229
Insurance	6,102	546	1,052	327	1,302	9,329
	995,581	103,131	163,354	30,785	116,938	1,409,789
Excess (deficiency) of revenue over expenses before the undernoted						
	(55,292)	(21,330)	41,151	12,455	(12,408)	(35,424)
Amortization of building and equipment						
	(16,297)	(2,451)	(6,260)	(257)	(1,212)	(26,477)
Inter-agency allocation						
	33,900	(6,948)	(14,148)	(4,488)	(8,316)	-
Excess (deficiency) of revenue over expenses						
	\$ (37,689)	\$ (30,729)	\$ 20,743	\$ 7,710	\$ (21,936)	\$ (61,901)