

Financial Statements of

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

Year ended June 30, 2017



KPMG LLP
500-475 2nd Avenue South
Saskatoon Saskatchewan S7K 1P4
Canada
Tel (306) 934-6200
Fax (306) 934-6233

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, 2017, 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, 2017 and June 30, 2016, 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 statements of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended June 30, 2017.

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, 2017 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 underlines the text.

Chartered Professional Accountants

September 20, 2017
Saskatoon, Canada

BIG BROTHERS BIG SISTERS OF SASKATOON AND AREA INC.

Statement of Financial Position

June 30, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 47,278	\$ 146,583
Accounts receivable	128,327	83,417
Short term investments	30,613	30,477
Prepaid expenses and deposits	18,770	25,273
	<u>224,988</u>	<u>285,750</u>
Land, building and equipment (note 2)	605,515	620,940
	<u>\$ 830,503</u>	<u>\$ 906,690</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 3)	\$ 83,137	\$ 98,195
Deferred revenue (note 4)	25,217	26,909
Current portion of long-term debt (note 5)	6,252	5,873
Current portion of deferred contributions for interest on long-term debt (note 5)	9,504	9,883
	<u>124,110</u>	<u>140,860</u>
Long-term debt (note 5)	147,716	153,968
Deferred contributions for interest on long-term debt (note 5)	75,539	85,043
Deferred contributions for equipment (note 6)	5,148	8,831
Net assets:		
Operating surplus	116,634	160,646
Equity in land, building and equipment	361,356	357,342
	<u>477,990</u>	<u>517,988</u>
	<u>\$ 830,503</u>	<u>\$ 906,690</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, 2017, with comparative information for 2016

	2017	2016
Revenues:		
Fundraising	\$ 281,208	\$ 352,826
Provincial Government - Ministry of Social Services	279,245	317,989
Saskatchewan Indigenous Mentoring Partnership	180,000	69,685
United Way	158,788	171,935
National Crime Prevention Strategy	100,647	-
Community Initiatives Fund	96,886	128,500
Canada Immigration and Citizenship	89,509	80,266
Corporate grant revenue	68,717	43,553
City of Saskatoon	46,751	44,079
Other grant revenue	45,667	97,947
Donations	32,923	44,298
Rent	26,613	33,505
Interest	1,942	1,917
	<u>1,408,896</u>	<u>1,386,500</u>
Expenses:		
Wages	899,748	815,740
Benefits	144,338	131,244
Fundraising	105,377	140,044
Rent, occupancy and utilities	66,554	66,608
Program activities	65,845	55,453
Professional fees	24,170	23,148
Office supplies and miscellaneous	20,624	23,320
Staff and board development	20,322	30,776
Property taxes	18,051	15,379
Travel	17,108	18,735
Membership fees	16,901	17,302
Insurance	16,355	10,898
Volunteer recruitment and promotion	7,037	10,675
	<u>1,422,430</u>	<u>1,359,322</u>
Excess (deficiency) of revenue over expenses before the undernoted	(13,534)	27,178
Amortization of building and equipment	(26,464)	(23,021)
Excess (deficiency) of revenue over expenses	<u>\$ (39,998)</u>	<u>\$ 4,157</u>

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF SASKATOON AND AREA INC.

Statement of Net Assets

Year ended June 30, 2017, with comparative information for 2016

	2017	2016
Operating Surplus		
Balance, beginning of year	\$ 160,646	\$ 167,511
Excess (deficiency) of revenue over expenses	(39,998)	4,157
Transfers (to) from equity in land, building and equipment for:		
Purchase of equipment	(14,722)	(18,213)
Principal payments on long-term debt	(15,756)	(15,756)
Amortization of building and equipment	26,464	23,021
Deferred contributions for equipment	-	1,297
Purchase of building additions	-	(1,371)
Balance, end of year	\$ 116,634	\$ 160,646

Equity in Land, Building and Equipment

Balance, beginning of year	\$ 357,342	\$ 346,320
Transfers from (to) operating surplus for:		
Purchase of equipment	14,722	18,213
Principal payments on long-term debt	15,756	15,756
Amortization of building and equipment	(26,464)	(23,021)
Deferred contributions for equipment	-	(1,297)
Purchase of building additions	-	1,371
Balance, end of year	\$ 361,356	\$ 357,342

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF SASKATOON AND AREA INC.

Statement of Cash Flows

Year ended June 30, 2017, with comparative information for and 2016

	2017	2016
Cash flows from (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (39,998)	\$ 4,157
Item not involving cash:		
Amortization of building and equipment	26,464	23,021
Change in non-cash operating working capital:		
Accounts receivable	(44,910)	(18,935)
Prepaid expenses and deposits	6,503	(1,304)
Accounts payable and accrued liabilities	(15,058)	(22,676)
Deferred revenue	(1,692)	(16,216)
	<u>(68,691)</u>	<u>(31,953)</u>
Financing:		
Principal payments on long-term debt	(15,756)	(15,756)
Deferred contributions for equipment	-	1,297
	<u>(15,756)</u>	<u>(14,459)</u>
Investing:		
Purchase of equipment	(14,722)	(18,213)
Purchase of building additions	-	(1,371)
Purchase of investments	(30,613)	(30,477)
Disposal of investments	30,477	30,240
	<u>(14,858)</u>	<u>(19,821)</u>
Decrease in cash and cash equivalents	(99,305)	(66,233)
Cash and cash equivalents, beginning of year	146,583	212,816
Cash and cash equivalents, end of year	<u>\$ 47,278</u>	<u>\$ 146,583</u>

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF SASKATOON AND AREA INC.

Notes to Financial Statements

Year ended June 30, 2017

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, 2017

1. Significant accounting policies (continued):

(d) Land, building and equipment

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 \$25,786 (2016 - \$33,994).

(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

BIG BROTHERS BIG SISTERS OF SASKATOON AND AREA INC.

Notes to Financial Statements (continued)

Year ended June 30, 2017

1. Significant accounting policies (continued):

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 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:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 315,000	\$ -	\$ 315,000	\$ 315,000
Building	408,951	151,907	257,044	273,402
Furniture and equipment	275,034	241,563	33,471	32,538
Leasehold improvement	2,786	2,786	-	-
	\$ 1,001,771	\$ 396,256	\$ 605,515	\$ 620,940

Amortization of building and equipment was \$30,147 (2016 - 30,307). For financial statement presentation purposes, this amount is netted against amortization of deferred contributions for equipment of \$3,683 (2016 - \$7,286) for a net amortization expense of \$26,464 (2016 - \$23,021).

3. Accounts payable and accrued liabilities:

BBBS has total accounts payable and accrued liabilities of \$83,137 at June 30, 2017 (2016 - \$98,195) that includes \$Nil of payroll remittances payable (2016 - \$Nil).

BIG BROTHERS BIG SISTERS OF SASKATOON AND AREA INC.

Notes to Financial Statements (continued)

Year ended June 30, 2017

4. Deferred revenue:

	2017	2016
Corporate grant revenue	\$ 20,417	\$ -
Community Initiatives Fund	4,800	16,000
Ministry of Social Services	-	10,909
	\$ 25,217	\$ 26,909

5. Long-term debt:

	2017	2016
(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%	\$ 121,324	\$ 125,876
(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%	32,644	33,965
	153,968	159,841
Current portion	6,252	5,873
	\$ 147,716	\$ 153,968

(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 2017, \$8,048 (2016 - \$8,334) 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, 2017

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 2017, \$1,835 (2016 - \$1,906) 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
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
2022	8,033	7,723	15,756
Thereafter	118,395	42,316	160,711
	\$ 153,968	\$ 85,523	\$ 239,491

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.

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and equipment	\$ 99,378	\$ 94,230	\$ 5,148	\$ 8,831

BIG BROTHERS BIG SISTERS OF SASKATOON AND AREA INC.

Notes to Financial Statements (continued)

Year ended June 30, 2017

7. Lease commitment:

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

2018	\$	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 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 2017, BBBS received \$1,806 (2016 - \$1,700) 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.

Notes to Financial Statements (continued)

Year ended June 30, 2017

12. Related party transactions:

BBBS is a member organization of Big Brothers Big Sisters of Canada ("BBBS Canada"). During the year, BBBS paid annual membership dues of \$15,574 (2016 - \$15,413) to and received funding of \$235,156 (2016 - \$80,266) from BBBS Canada through national partnerships.

BIG BROTHERS BIG SISTERS OF SASKATOON AND AREA INC.

Statement of Revenue and Expenses by Location

Year ended June 30, 2017

	Saskatoon	North Battleford	Prince Albert	Melfort	Humboldt	Total
Revenue:						
Fundraising	\$ 94,910	\$ 65,997	\$ 43,039	\$ 15,882	\$ 61,380	\$ 281,208
Provincial Government - Ministry of Social Services	241,872	8,566	21,793	-	7,014	279,245
Saskatchewan Indigenous Mentoring Partnership	180,000	-	-	-	-	180,000
United Way	158,788	-	-	-	-	158,788
National Crime Prevention Strategy	100,647	-	-	-	-	100,647
Community Initiatives Fund	20,000	20,000	25,500	11,386	20,000	96,886
Canada Immigration and Citizenship	89,509	-	-	-	-	89,509
Corporate grant revenue	47,083	2,000	7,634	-	12,000	68,717
City of Saskatoon	46,751	-	-	-	-	46,751
Other grant revenue	12,143	3,274	22,250	-	8,000	45,667
Donations	29,002	218	855	1,402	1,446	32,923
Rent	26,613	-	-	-	-	26,613
Interest	1,806	136	-	-	-	1,942
	1,049,124	100,191	121,071	28,670	109,840	1,408,896
Expenses:						
Wages	714,729	39,111	65,085	18,533	62,290	899,748
Benefits	111,396	3,831	11,181	1,507	16,423	144,338
Fundraising	45,138	33,060	16,369	181	10,629	105,377
Rent, occupancy and utilities	34,750	9,526	9,067	2,075	11,136	66,554
Program activities	58,092	1,975	3,420	270	2,088	65,845
Professional fees	16,516	1,812	3,312	624	1,906	24,170
Office supplies and miscellaneous	13,987	2,341	1,876	818	1,602	20,624
Staff and board development	16,587	793	1,235	292	1,415	20,322
Property taxes	18,051	-	-	-	-	18,051
Travel	11,782	943	1,909	1,946	528	17,108
Membership fees	11,983	1,244	1,984	546	1,144	16,901
Insurance	14,168	370	854	149	814	16,355
Recruitment and promotion	4,109	243	1,438	29	1,218	7,037
	1,071,288	95,249	117,730	26,970	111,193	1,422,430
Excess (deficiency) of revenue over expenses before the undernoted						
	(22,164)	4,942	3,341	1,700	(1,353)	(13,534)
Amortization of building and equipment						
	(22,567)	(793)	(2,446)	(367)	(291)	(26,464)
Inter-agency allocation						
	43,152	(10,464)	(18,912)	(3,612)	(10,164)	-
Excess (deficiency) of revenue over expenses						
	\$ (1,579)	\$ (6,315)	\$ (18,017)	\$ (2,279)	\$ (11,808)	\$ (39,998)

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:						
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
Community Initiatives Fund	35,000	22,500	26,000	25,000	20,000	128,500
Other grant revenue	83,593	1,500	5,534	2,570	4,750	97,947
Canada Immigration and Citizenship	80,266	-	-	-	-	80,266
Saskatchewan Indigenous Mentorship Program	69,685	-	-	-	-	69,685
Donations	33,125	350	6,552	847	3,424	44,298
City of Saskatoon	44,079	-	-	-	-	44,079
Corporate grant revenue	37,167	-	-	-	6,386	43,553
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