

BIG BROTHERS AND BIG SISTERS OF RED DEER & DISTRICT
Financial Statements
Year Ended December 31, 2017



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INDEPENDENT AUDITOR'S REPORT

To the Members of Big Brothers and Big Sisters of Red Deer & District

We have audited the accompanying financial statements of Big Brothers and Big Sisters of Red Deer & District, which comprise the statement of financial position as at December 31, 2017 and the statements of revenues and expenditures, changes in net assets and cash flow 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 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 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 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 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 not-for-profit organizations, Big Brothers and Big Sisters of Red Deer & District derives revenue from third party donations 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 Big Brothers and Big Sisters of Red Deer & District. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2017, current assets as at December 31, 2017 and net assets as at January 31, 2017 and December 31, 2017. The predecessor auditor's opinion on the financial statements for the year ended December 31, 2016 was modified because of the possible effects of a similar limitation in scope.

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 and Big Sisters of Red Deer & District as at December 31, 2017 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The financial statements for the year ended December 31, 2016 were audited by another auditor who expressed a qualified opinion on those financial statements on June 21, 2017 for the reasons described in the Basis for Qualified Opinion paragraph.

Red Deer, Alberta
June 21, 2018

BDO Canada LLP

Chartered Professional Accountants

BIG BROTHERS AND BIG SISTERS OF RED DEER & DISTRICT
Statement of Financial Position
December 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash (Note 5)	\$ 60,280	\$ 154,542
Accounts receivable	30,948	14,541
Investment (Note 3)	25,000	25,000
Cash - restricted	414	59
Due from related parties (Note 8)	12,700	-
Prepaid expenses	-	3,112
	<u>129,342</u>	<u>197,254</u>
CAPITAL ASSETS (Note 4)	<u>1,962,097</u>	<u>1,148,964</u>
	<u>\$ 2,091,439</u>	<u>\$ 1,346,218</u>
LIABILITIES		
CURRENT		
Accounts payable	\$ 287,076	\$ 7,779
Deferred income (Note 5)	56,315	132,559
Due to related parties (Note 8)	-	2,651
	<u>343,391</u>	<u>142,989</u>
UNAMORTIZED CAPITAL CONTRIBUTIONS (Note 6)	<u>1,333,442</u>	<u>772,958</u>
	<u>1,676,833</u>	<u>915,947</u>
CONTINGENCY (Note 12)		
NET ASSETS		
Invested in capital assets	628,655	376,006
Unrestricted	(214,049)	54,265
	<u>414,606</u>	<u>430,271</u>
	<u>\$ 2,091,439</u>	<u>\$ 1,346,218</u>

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

 Director
 Director

See notes to financial statements

BIG BROTHERS AND BIG SISTERS OF RED DEER & DISTRICT
Statement of Revenues and Expenditures
For the Year Ended December 31, 2017

	2017	2016
REVENUE		
Donations - receipted	\$ 33,349	\$ 15,827
Donations - unreceipted	65,896	52,927
FCSS grant	199,486	170,000
Gaming	21,135	39,820
Interest	261	309
Other grants	54,991	23,297
Fundraising	259	1,437
Sponsorship	17,862	9,100
United Way	65,000	65,000
Youth in Care	68,312	61,382
Program participant changes	361	1,000
	<u>526,912</u>	<u>440,099</u>
EXPENSES		
Administrative costs	57,414	44,935
Fundraising costs	119,348	48,878
Program delivery costs	312,266	352,631
Facility costs	42,797	20,010
	<u>531,825</u>	<u>466,454</u>
DEFICIENCY OF REVENUE OVER EXPENSES FROM OPERATIONS	<u>(4,913)</u>	<u>(26,355)</u>
OTHER INCOME		
Amortization of capital assets	(43,832)	(31,737)
Amortization of capital contributions (Note 6)	61,080	49,993
Loss on disposal of capital assets	(28,000)	-
	<u>(10,752)</u>	<u>18,256</u>
DEFICIENCY OF REVENUE OVER EXPENSES	<u>\$ (15,665)</u>	<u>\$ (8,099)</u>

See notes to financial statements

BIG BROTHERS AND BIG SISTERS OF RED DEER & DISTRICT

Statement of Changes in Net Assets

Year Ended December 31, 2017

	Invested in capital assets	Unrestricted Fund	2017	2016
NET ASSETS - BEGINNING OF YEAR	\$ 376,006	\$ 54,265	\$ 430,271	\$ 438,368
Deficiency of revenue over expenses	(10,752)	(4,913)	(15,665)	(8,099)
Purchase of capital assets	884,967	(884,967)	-	-
Addition to unamortized capital contributions	(621,566)	621,566	-	-
NET ASSETS - END OF YEAR	\$ 628,655	\$ (214,049)	\$ 414,606	\$ 430,269

See notes to financial statements

BIG BROTHERS AND BIG SISTERS OF RED DEER & DISTRICT**Statement of Cash Flow****Year Ended December 31, 2017**

	2017	2016
OPERATING ACTIVITIES		
Cash receipts from customers	\$ 995,635	\$ 374,530
Cash paid to suppliers and employees	<u>(482,814)</u>	<u>(454,866)</u>
Cash flow from (used by) operating activities	<u>512,821</u>	<u>(80,336)</u>
INVESTING ACTIVITIES		
Purchase of capital assets <i>(Note 4)</i>	(591,377)	(79,407)
Advances from (to) related parties	<u>(15,351)</u>	<u>90,714</u>
Cash flow from (used by) investing activities	<u>(606,728)</u>	<u>11,307</u>
DECREASE IN CASH FLOW	(93,907)	(69,029)
Cash - beginning of year	<u>154,601</u>	<u>223,630</u>
CASH - END OF YEAR	<u>\$ 60,694</u>	<u>\$ 154,601</u>
CASH CONSISTS OF:		
Cash - unrestricted	\$ 60,280	\$ 154,542
Cash - restricted	<u>414</u>	<u>59</u>
	<u>\$ 60,694</u>	<u>\$ 154,601</u>

See notes to financial statements

BIG BROTHERS AND BIG SISTERS OF RED DEER & DISTRICT

Notes to Financial Statements

Year Ended December 31, 2017

1. Objectives of the society

Big Brothers and Big Sisters of Red Deer & District (the "Society") is a registered Society under the Societies Act of the Province of Alberta. It is also registered as a charitable organization under the Income Tax Act (the "Act") and as such is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Society must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

The major objective of the Society is to help in the development of children from single parent families by enjoying a one on one mentoring relationship through a friendship that is personally, socially and psychologically beneficial.

Red Deer Youth & Volunteer Centre Foundation, Big Brothers and Big Sisters of Red Deer & District and Boys' and Girls' Club of Red Deer & District are separately incorporated, maintain separate bank accounts, are audited separately, maintain separate memberships and have separate Board of Directors. Nevertheless, these three organizations are related Societies as they share the same vision, mission, administrative supports and facility. During the current year certain expenditures such as staffing and certain administrative costs were provided by the Red Deer Youth & Volunteer Centre Foundation.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

Buildings	10-30 years	straight-line method
Equipment	5-10 years	straight-line method
Leasehold Improvements	10-30 years	straight-line method
Paved surfaces	10 years	straight-line method

(continues)

BIG BROTHERS AND BIG SISTERS OF RED DEER & DISTRICT

Notes to Financial Statements

Year Ended December 31, 2017

2. Significant accounting policies (continued)

Contributed materials

Contributions of materials are recognized both as contributions and expenses in the statement of revenues and expenses when a fair value can be reasonably estimated and when the materials are used in the normal course of the Society's operations and would otherwise have been purchased.

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

Revenue recognition

The Society follows the deferral method of accounting for contributions and grants. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Deferred contributions related to capital assets are recognized as revenue on the same basis as the related asset is amortized.

Donations, fundraising and sponsorship are recognized as revenue when received or when the receivables can be reasonably estimated and collection is reasonably assured.

Bingo and casino (gaming) revenue is recognized as revenue when related expenses are incurred.

Program registrations are recognized when programs are delivered.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Significant estimates made by management include the allocation of revenue and expenses between programs and collectibility of accounts receivable. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues over expenses in the periods in which they become known.

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BIG BROTHERS AND BIG SISTERS OF RED DEER & DISTRICT

Notes to Financial Statements

Year Ended December 31, 2017

2. Significant accounting policies (continued)

Financial instruments policy

The Society recognizes its financial instruments when the Society becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Section 3840 Related Party Transactions (refer to Note 8).

At initial recognition, the Society may irrevocably elect to subsequently measure any financial instrument at fair value. The Society has not made such an election during the year.

The Society subsequently measures investments in equity instruments quoted in an active market. Fair value is determined by published price quotations. Investments in equity transactions not quoted in an active market are subsequently measured at cost less impairment. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for these financial instruments subsequently measured at cost or amortized cost.

Financial asset impairment

The Society assesses impairment of all of its financial assets measured at cost or amortized cost. The Society groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group, there are numerous assets affected by the same factors, no asset is individually significant, etc. Management considers whether the issuer is having significant financial difficulty in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Society determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Society reduces the carrying amount of any impaired assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenues over expenses.

The Society reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess revenues over expenses in the year the reversal occurs.

Allocation of expenses

During the year some of the program activities were provided by the Red Deer Youth & Volunteer Centre Foundation ("the Foundation"). The costs of each program provided by the Foundation include the costs of personnel, premises, and other expenses that are directly related to providing the program. The Foundation also incurs a number of general support expenses that are common to the administration of the Foundation and each of its programs. The Foundation also engages in youth services programs requiring certain fundraising activities. The Foundation allocates certain of its fundraising and general support expenses to this Society by identifying the appropriate basis of each component expense, and applying that basis consistently each year.

BIG BROTHERS AND BIG SISTERS OF RED DEER & DISTRICT

Notes to Financial Statements

Year Ended December 31, 2017

3. Investment

Investment consists of a guaranteed investment certificate maturing February 2018 (2016 - maturing January 2017) and bearing interest at 1.35% (2016 - 0.65%). This investment is held as security for the letter of credit in Note 12.

4. Capital assets

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Buildings	\$ 1,903,030	\$ 553,957	\$ 1,349,073	\$ 604,960
Equipment	201,210	183,049	18,161	4,349
Leasehold improvements	777,412	182,549	594,863	539,655
Paved surfaces	12,204	12,204	-	-
	\$ 2,893,856	\$ 931,759	\$ 1,962,097	\$ 1,148,964

During the year capital assets were acquired at an aggregate cost of \$884,967 (2016 - \$79,407) of which \$16,000 (2016 - nil) were donations, \$591,377 (2016 - \$79,407) were acquired in cash and \$277,590 (2016 - nil) were acquired through accounts payable.

5. Deferred revenue

The Society received funds from organizations that cover certain expenditures to be made in periods beyond December 31, 2017. The following amounts have been deferred until these expenditures take place.

	2017	2016
Raffle	\$ 26	\$ 26
Casino	388	33
Camp Alexo projects	-	75,000
Youth in Care	17,771	15,000
FCSS	-	42,500
Red Deer & District Community Foundation	9,000	-
Rural Mentoring	29,130	-
	\$ 56,315	\$ 132,559

Of this amount, \$55,901 (2016 - \$132,500) is represented by cash.

BIG BROTHERS AND BIG SISTERS OF RED DEER & DISTRICT

Notes to Financial Statements

Year Ended December 31, 2017

6. Unamortized capital contributions

Deferred capital contributions consist of the unamortized amount of contributions received for the purchase of capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized. Changes in deferred capital contributions are as follows:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 772,958	\$ 822,951
Additional contributions received	621,564	-
Amounts taken into revenue	<u>(61,080)</u>	<u>(49,993)</u>
Balance, end of year	<u>\$ 1,333,442</u>	<u>\$ 772,958</u>

7. Commitments

The Society has an agreement with the Province of Alberta to lease the land on which Camp Alexo is located for a term of twenty-five years which expires May 2030 and has an annual rent of \$1. The fair value of this lease is indeterminable.

8. Related party transactions

During the year \$345,473 (\$323,141 in 2016) of program delivery, \$26,400 (\$26,400 in 2016) of office operating and administrative, and \$18,494 (\$25,517 in 2016) of fundraising costs were paid to Red Deer Youth & Volunteer Foundation.

\$12,700 is due from (2016 - \$2,651 is due to) Red Deer Youth & Volunteer Centre Foundation.

All transactions were conducted in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. Financial instruments

The Society, as part of its operations, carries a number of financial instruments. It is management's opinion that the Society is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

10. Additional information to comply with the disclosure requirement of the Charitable Fundraising Act and Regulation

The Red Deer Youth & Volunteer Centre Foundation employs a fund development manager who is responsible for coordinating all fund developmental activities for all of the related societies in Note 1. Staff members from each society provide assistance to the fund development manager as applicable to their related society as required. The total remuneration of the fund development manager was \$61,645 (2016 - \$61,645) of which \$18,494 (2016 - \$25,517) was allocated to this Society. During the year fundraising related gift in kind donations were recognized totaling \$44,190 (2016 - \$12,000).

BIG BROTHERS AND BIG SISTERS OF RED DEER & DISTRICT
Notes to Financial Statements
Year Ended December 31, 2017

11. Allocation of expenses

During the year, the following expenses were allocated to the Society from the Red Deer Youth & Volunteer Centre Foundation:

	\$	%	Basis
Fundraising	\$ 18,494	30	Time spent

In the prior year \$25,517 (41.4%) was allocated based on time spent.

12. Contingency

The Society arranged a letter of credit in the amount of \$23,000 (2016 - \$23,000) in favour of the Government of Alberta (pertaining to possible reclamation costs at Camp Alexo). This letter of credit is secured by a \$25,000 (2016 - \$25,000) GIC. As at year end no amounts were drawn on this facility. No liability for reclamation has been accrued as the fair value cannot be reasonably estimated given the reclamation would only occur if the camp were to close and the lease expired without renewal; the Society does not intend on closing the camp.

13. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.
