

BIG BROTHERS AND BIG SISTERS OF RED DEER AND DISTRICT
Financial Statements
Year Ended December 31, 2018



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Independent Auditor's Report

To the Directors of Big Brothers and Big Sisters of Red Deer and District

Qualified Opinion

We have audited the financial statements of Big Brothers and Big Sisters of Red Deer and District (the Entity), which comprise the statement of financial position as at December 31, 2018 and the statement of revenues and expenditures, statement of changes in net assets, statement of cash flow, 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 paragraph, the financial statements present fairly, in all material respects, the financial position of Big Brothers and Big Sisters of Red Deer and District as at December 31, 2018 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Big Brothers and Big Sisters of Red Deer and 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 and 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, 2018, current assets at as December 31, 2018 and net assets as at January 1, 2018 and December 31, 2018.

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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

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Independent Auditor's Report (continued)

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 Entity'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 Entity'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 Entity 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

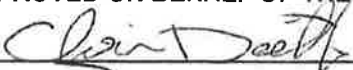

Red Deer, Alberta
June 20, 2019

Chartered Professional Accountants

BIG BROTHERS AND BIG SISTERS OF RED DEER AND DISTRICT
Statement of Financial Position
December 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash (Note 5)	\$ 174,790	\$ 60,280
Accounts receivable	18,083	30,948
Investment (Note 3)	25,000	25,000
Cash - restricted	26	414
Due from related parties (Note 8)	-	12,700
Prepaid expenses	8	-
	217,907	129,342
CAPITAL ASSETS (Note 4)	1,964,923	1,962,097
	\$ 2,182,830	\$ 2,091,439
LIABILITIES		
CURRENT		
Accounts payable	\$ 74,053	\$ 287,076
Deferred income (Note 5)	75,202	56,315
Due to related parties (Note 8)	27,476	-
	176,731	343,391
UNAMORTIZED CAPITAL CONTRIBUTIONS (Note 6)	1,550,970	1,333,442
	1,727,701	1,676,833
CONTINGENCY (Note 12)		
NET ASSETS		
Invested in capital assets	413,954	628,655
Unrestricted	41,175	(214,049)
	455,129	414,606
	\$ 2,182,830	\$ 2,091,439

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

 Director
 Director

See notes to financial statements

BIG BROTHERS AND BIG SISTERS OF RED DEER AND DISTRICT
Statement of Revenues and Expenditures
For the Year Ended December 31, 2018

	2018	2017
REVENUE		
Donations - receipted	\$ 39,147	\$ 33,349
Donations - unreceipted	29,630	66,155
FCSS grant	261,930	199,486
Gaming	388	21,135
Interest	441	261
Other grants	22,221	54,991
Sponsorship	9,600	17,862
United Way	64,734	65,000
Youth in Care	71,083	68,312
Program participant changes	858	361
	<u>500,032</u>	<u>526,912</u>
EXPENSES		
Administrative costs	131,355	135,949
Fundraising costs	16,570	44,190
Program delivery costs	330,918	309,762
Facility costs	7,386	41,924
	<u>486,229</u>	<u>531,825</u>
EXCESS (DEFICIENCY) OF REVENUE OVER ADMINISTRATIVE EXPENSES FROM OPERATIONS	<u>13,803</u>	<u>(4,913)</u>
OTHER INCOME		
Amortization of capital assets	(55,752)	(43,832)
Amortization of capital contributions (Note 6)	82,472	61,080
Loss on disposal of capital assets	-	(28,000)
	<u>26,720</u>	<u>(10,752)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER ADMINISTRATIVE EXPENSES	<u>\$ 40,523</u>	<u>\$ (15,665)</u>

See notes to financial statements

BIG BROTHERS AND BIG SISTERS OF RED DEER AND DISTRICT
Statement of Changes in Net Assets
Year Ended December 31, 2018

	Invested in capital assets	Unrestricted Fund	2018	2017
NET ASSETS - BEGINNING OF YEAR	\$ 628,655	\$ (214,049)	\$ 414,606	\$ 430,269
Excess of revenue over administrative expenses	26,722	13,801	40,523	(15,665)
Purchase of capital assets	58,577	(58,577)	-	-
Addition to unamortized capital contributions	(300,000)	300,000	-	-
NET ASSETS - END OF YEAR	\$ 413,954	\$ 41,175	\$ 455,129	\$ 414,604

See notes to financial statements

BIG BROTHERS AND BIG SISTERS OF RED DEER AND DISTRICT**Statement of Cash Flow
Year Ended December 31, 2018**

	2018	2017
OPERATING ACTIVITIES		
Cash receipts from customers	\$ 815,212	\$ 995,635
Cash paid to suppliers and employees	(682,689)	(482,814)
Cash flow from operating activities	<u>132,523</u>	<u>512,821</u>
INVESTING ACTIVITIES		
Purchase of capital assets (Note 4)	(58,577)	(591,377)
Advances from (to) related parties	40,176	(15,351)
Cash flow used by investing activities	<u>(18,401)</u>	<u>(606,728)</u>
INCREASE (DECREASE) IN CASH FLOW	114,122	(93,907)
Cash - beginning of year	<u>60,694</u>	<u>154,601</u>
CASH - END OF YEAR	\$ 174,816	\$ 60,694
CASH CONSISTS OF:		
Cash	\$ 174,790	\$ 60,280
Cash - restricted	26	414
	<u>\$ 174,816</u>	<u>\$ 60,694</u>

See notes to financial statements

BIG BROTHERS AND BIG SISTERS OF RED DEER AND DISTRICT
Notes to Financial Statements
Year Ended December 31, 2018

1. Objectives of the society

Big Brothers and Big Sisters of Red Deer and 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 and 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. Summary of 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

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BIG BROTHERS AND BIG SISTERS OF RED DEER AND DISTRICT
Notes to Financial Statements
Year Ended December 31, 2018

2. **Summary of 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, these 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 AND DISTRICT
Notes to Financial Statements
Year Ended December 31, 2018

2. Summary of 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 AND DISTRICT
Notes to Financial Statements
Year Ended December 31, 2018

3. Investment

Investment consists of a guaranteed investment certificate maturing February 2019 (2017 - maturing February 2018) and bearing interest at 0.5% (2017 - 1.35%). This investment is held as security for the letter of credit in Note 12.

4. Capital assets

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Buildings	\$ 1,903,030	\$ 587,661	\$ 1,315,369	\$ 1,349,073
Equipment	201,210	185,650	15,560	18,161
Leasehold improvements	835,990	201,996	633,994	594,863
Paved surfaces	12,204	12,204	-	-
	\$ 2,952,434	\$ 987,511	\$ 1,964,923	\$ 1,962,097

During the year capital assets were acquired at an aggregate cost of \$58,577 (2017 - \$884,967) of which nil (2017 - \$16,000) were donations, \$58,577 (2017 - \$591,377) were acquired in cash and \$0 (2017 - \$277,590) 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, 2018. The following amounts have been deferred until these expenditures take place.

	2018	2017
Raffle	\$ 26	\$ 26
Casino	-	388
Community Initiatives Program	55,512	-
Youth in Care	17,771	17,771
Tim Horton's - Innisfail	1,893	-
Red Deer & District Community Foundation	-	9,000
Rural Mentoring	-	29,130
	\$ 75,202	\$ 56,315

Of this amount, \$75,176 (2017 - \$55,901) is represented by cash, and \$26 (2017 - \$414) is restricted cash.

BIG BROTHERS AND BIG SISTERS OF RED DEER AND DISTRICT
Notes to Financial Statements
Year Ended December 31, 2018

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:

	2018	2017
Balance, beginning of year	\$ 1,333,442	\$ 772,958
Additional contributions received	300,000	621,564
Amounts taken into revenue	(82,472)	(61,080)
Balance, end of year	\$ 1,550,970	\$ 1,333,442

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 \$368,980 (\$345,473 in 2017) of program delivery, \$29,996 (\$26,400 in 2017) of office operating and administrative, and \$18,494 (\$18,494 in 2017) of fundraising costs were paid to Red Deer Youth & Volunteer Foundation.

Included in advances from related parties is \$12,829 due to Red Deer Youth & Volunteer Centre Foundation (2017 - \$12,700 due from). Included in accounts payable is \$64,384 to Red Deer Youth & Volunteer Centre Foundation.

Included in advances to related parties is \$14,647 due to Boys' and Girls' Club of Red Deer & District (2017 - \$0).

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.

Other Price Risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation's investments in mutual funds exposes the Foundation to price risk as these investments are subject to price changes in an open market due to a variety of reasons including in market rates of interest, general economic indicators and restrictions on credit markets.

BIG BROTHERS AND BIG SISTERS OF RED DEER AND DISTRICT
Notes to Financial Statements
Year Ended December 31, 2018

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 (2017 - \$61,645) of which \$18,494 (2017 - \$18,494) was allocated to this Society.

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 \$18,494 (30%) was allocated based on time spent.

12. Contingency

The Society arranged a letter of credit in the amount of \$23,000 (2017 - \$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 (2017 - \$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.
