

**Big Brothers & Big Sisters Association  
of Lacombe and District  
Financial Statements  
For the year ended December 31, 2018  
(Unaudited)**

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**Financial Statements**  
For the year ended December 31, 2018  
(Unaudited)

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## Independent Practitioner's Review Engagement Report

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### To the Members of Big Brothers & Big Sisters Association of Lacombe and District

We have reviewed the accompanying financial statements of Big Brothers & Big Sisters Association of Lacombe and District that comprise the statement of financial position as at December 31, 2018, and the statements of changes in net assets, operations and cash flows 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.

#### Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Big Brothers & Big Sisters Association of Lacombe and District as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*BDO Canada LLP*  
Chartered Professional Accountants

Lacombe, Alberta  
June 10, 2019



**Big Brothers & Big Sisters Association of Lacombe and District**  
**Statement of Changes in Net Assets**  
**(Unaudited)**

For the year ended December 31

	Restricted	Unrestricted	Capital	Total 2018	Total 2017
Balance, beginning of year	\$ 5,083	\$ 45,959	\$ (20,578)	\$ 30,464	35,948
Excess (deficiency) of revenue over expenditures for the year	(32,363)	5,081	-	(27,282)	(5,484)
Transfers	34,285	(34,285)	-	-	-
Deferred capital contributions	-	15,000	(15,000)	-	-
Deferred contributions recognized	-	(8,175)	8,175	-	-
Debt retirement recognized	-	(1,356)	1,356	-	-
Principal loan payments	-	(7,832)	7,832	-	-
Amortization	-	14,191	(14,191)	-	-
<b>Balance, end of year</b>	<b>\$ 7,005</b>	<b>\$ 28,583</b>	<b>\$ (32,406)</b>	<b>\$ 3,182</b>	<b>30,464</b>

The accompanying notes are an integral part of these financial statements.

**Big Brothers & Big Sisters Association of Lacombe and District**  
**Statement of Operations**  
**(Unaudited)**

For the year ended December 31	2018 Budget	2018 Actual	2017 Actual
<b>Revenue</b>			
Bowl for Kids Sake	\$ 25,000	\$ 21,740	\$ 23,662
Direct expenses	(4,284)	(5,866)	(6,722)
Donations	34,961	64,873	61,277
Fundraising	57,500	69,498	67,011
Grant revenue	44,500	28,756	29,876
United Way funding	28,477	25,943	26,027
Other revenue	-	958	774
	<u>186,154</u>	<u>205,902</u>	<u>201,905</u>
<b>Program costs</b>			
Go Girls	37	667	264
In School Mentoring	80,872	80,139	77,518
Kids and Kops	8,923	10,429	8,511
Rural Outreach	53,288	83,464	46,474
Summer Program	116	114	17,834
	<u>143,236</u>	<u>174,813</u>	<u>150,601</u>
<b>Gross margin</b>	<u>42,918</u>	<u>31,089</u>	<u>51,304</u>
<b>Expenditures</b>			
Advertising and promotion	-	707	361
Amortization	-	14,191	14,191
Insurance	4,000	1,589	3,871
Interest and bank charges	-	354	606
Interest on long-term debt	-	6,268	6,253
Office	-	22	-
Conference expenses	-	209	-
Professional dues	5,850	1,737	4,311
Salaries and related benefits	27,225	25,573	21,289
Telephone and utilities	9,900	5,023	3,823
Travel	-	2,698	2,083
	<u>46,975</u>	<u>58,371</u>	<u>56,788</u>
<b>Excess of expenditures over revenue for the year</b>	<u>\$ (4,057)</u>	<u>\$ (27,282)</u>	<u>\$ (5,484)</u>

The accompanying notes are an integral part of these financial statements.

**Big Brothers & Big Sisters Association of Lacombe and District**  
**Statement of Cash Flows**  
(Unaudited)

<b>For the year ended December 31</b>	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>		
Excess of expenditures over revenue for the year	\$ (27,282)	\$ (5,484)
Adjustment for non-cash item		
Amortization	14,191	14,191
	<u>(13,091)</u>	8,707
Change in non-cash working capital items		
Decrease in accounts/contributions receivable	4,989	9,490
Increase in accounts payable and accrued liabilities	1,435	1,027
Increase (decrease) in deferred revenue	<u>(13,100)</u>	<u>21,320</u>
	<u>(19,767)</u>	40,544
<b>Cash flows from investing activity</b>		
Receipt of current portion of contributions receivable	<u>15,000</u>	<u>15,000</u>
<b>Cash flows from financing activities</b>		
Repayment of long-term debt	(7,832)	(7,646)
Deferred capital contributions	15,000	15,000
Recognition of deferred capital contributions	(8,175)	(7,341)
Recognition of deferred debt repayment	(1,356)	(1,356)
Recognition of current portion of deferred revenue	<u>(15,000)</u>	<u>(15,000)</u>
	<u>(17,363)</u>	(16,343)
<b>Increase (decrease) in cash during the year</b>	<b>(22,130)</b>	<b>39,201</b>
<b>Cash, beginning of year</b>	<u><b>73,093</b></u>	<u><b>33,892</b></u>
<b>Cash, end of year</b>	<b>\$ 50,963</b>	<b>\$ 73,093</b>
<b>Cash consists of:</b>		
Unrestricted cash	\$ 42,534	\$ 50,570
Externally restricted cash - casino	<u>8,429</u>	<u>22,523</u>
	<b>\$ 50,963</b>	<b>\$ 73,093</b>

The accompanying notes are an integral part of these financial statements.

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# Big Brothers & Big Sisters Association of Lacombe and District

## Notes to the Financial Statements

(Unaudited)

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**December 31, 2018**

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### Nature of operations

Big Brothers & Big Sisters Association of Lacombe and District (the "Association") is incorporated under the Societies Act of Alberta for the purpose of providing mentoring programs to children in the City of Lacombe and surrounding area.

The Association is registered as a charity organization and is tax-exempt under Section 149(1)(f) of the Canadian Income Tax Act.

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### 1. Summary of significant accounting policies

The financial statements are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

The significant accounting policies used are as follows:

**Property** Property is recorded at cost. The Association provides for amortization using the following methods at rates designed to amortize the cost of the property over its estimated useful life. The annual amortization rate and method is as follows:

Asset	Method	Rate
Buildings	Straight-line	20 years

**Revenue recognition** The Association follows the deferral method of accounting for contributions. 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.

Contributions specified for capital purposes are recorded as deferred capital asset contributions. These deferred contributions are taken into income as the related capital costs are amortized.

Unrestricted investment income is recognized as revenue when earned.

**Accounting estimates** The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenditures during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.



**Big Brothers & Big Sisters Association of Lacombe and District**  
**Notes to the Financial Statements**  
**(Unaudited)**

**December 31, 2018**

**1. Summary of significant accounting policies (continued)**

**Contributed services**                      Volunteers contributed time to assist the Association in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

**Reserves**                                      It is the Association's policy as a part of their risk management strategy to maintain an operating reserve equal to six months' operating expenses. These funds are internally restricted and can be used only by obtaining approval from the Board of Directors.

**2. Cash**

Included in cash are restricted funds held by the Association. The operating reserve is internally restricted by the Board of Directors. The casino funds are externally restricted by legislative requirements. The balances are as follows:

	2018	2017
Unrestricted cash	\$ 32,484	\$ 40,558
Operating reserve	10,050	10,012
Casino	8,429	22,523
	\$ 50,963	\$ 73,093

The Association's credit facility includes an authorized revolving line of credit of \$30,000 bearing interest at the Credit Union's prime plus 1.50%, of which none was used at year end. These facilities are secured by general security agreement providing a first charge and interest on all the present and after-acquired personal property. Prime rate at December 31, 2018 was 3.95%.

**3. Contribution receivable**

Contributions receivable is comprised of amounts relating to an agreement whereby the Gord Bamford Charitable Foundation is to pay a total of \$100,000 over the course of no more than five years. In return, they will receive title sponsorship on the Association's new premises.

**4. Property**

	2018		2017	
	Cost	Accumulated Amortization	Net	Net
Land	\$ 20,000	\$ -	\$ 20,000	\$ 20,000
Buildings	283,822	34,295	249,527	263,718
	\$ 303,822	\$ 34,295	\$ 269,527	\$ 283,718

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**Big Brothers & Big Sisters Association of Lacombe and District**  
**Notes to the Financial Statements**  
(Unaudited)

**December 31, 2018**

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**5. Deferred revenue**

	2018	2017
Gord Bamford Charitable Foundation	\$ 15,000	\$ 15,000
Casino funds	8,418	22,518
Landlord fundraising	2,000	1,000
	\$ 25,418	\$ 38,518

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**6. Long-term debt**

	2018	2017
4.6% mortgage, payable \$1,175 monthly including interest, due August 1, 2020.	\$ 131,997	\$ 139,829
Less current portion	131,997	139,829
Long-term portion	\$ -	\$ -

The Association is required to meet a specified debt to equity, current and annual debt service coverage ratios under its lending agreement. The Association is not in compliance with the debt to equity and annual debt service coverage ratios as of the balance sheet date. As a result of the non-compliance, the bank could demand repayment of loans.

The mortgage is secured by a general security agreement specifically pledging all present and after acquired property.

Assuming the mortgage is not demanded due to non-compliance of ratios, the estimated principal repayments are as follows:

2019	\$ 8,200
2020	8,585
2021	8,988
2022	9,410
2023	9,853
Subsequent years	86,961
	\$ 131,997

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**Big Brothers & Big Sisters Association of Lacombe and District**  
**Notes to the Financial Statements**  
**(Unaudited)**

**December 31, 2018**

**7. Deferred capital contributions**

The Association has received restricted contributions for the purchase of capital assets. These contributions are amortized on a declining balance over the useful life of the asset for which the contributions were received.

	Balance, beginning of year	Contributions	Current amortization	Current portion	Balance, end of year
Deferred contributions	\$ 131,351	\$ 15,000	\$ (8,175)	\$ (834)	\$ 137,342
Debt repayment	24,418	-	(1,356)	-	23,062
	<u>\$ 155,769</u>	<u>\$ 15,000</u>	<u>\$ (9,531)</u>	<u>\$ (834)</u>	<u>\$ 160,404</u>

**8. Net Assets**

	2018 Opening Balances	Revenue	Expenses	Transfers	2018 Closing Balances
<b>Restricted</b>					
In School					
Mentoring	\$ -	\$ 75,444	\$ (71,035)	\$ -	\$ 4,409
Kids and Kops	3,861	8,107	(10,272)	-	1,696
Summer					
Program	-	-	(114)	114	-
Rural					
Outreach	-	42,304	(76,475)	34,171	-
Go Girls	1,222	345	(667)	-	900
	<u>5,083</u>	<u>126,200</u>	<u>(158,563)</u>	<u>34,285</u>	<u>7,005</u>
<b>Unrestricted</b>					
Capital	45,959	80,137	(75,056)	(22,457)	28,583
	(20,578)	-	-	(11,828)	(32,406)
	<u>25,381</u>	<u>80,137</u>	<u>(75,056)</u>	<u>(34,285)</u>	<u>(3,823)</u>
	<u>\$ 30,464</u>	<u>\$ 206,337</u>	<u>\$ (233,619)</u>	<u>\$ -</u>	<u>\$ 3,182</u>

Restricted funds include monies received from both government organizations and private individuals, where it was requested that the funds go toward a specific program.

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**Big Brothers & Big Sisters Association of Lacombe and District**  
**Notes to the Financial Statements**  
**(Unaudited)**

**December 31, 2018**

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**9. Allocation of Administration Expense**

Administration costs applicable to the operations of the entire Association are allocated to projects based on the type of expenditure and the appropriate costs, pro-rated according to budgeted amounts.

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**10. Financial instruments**

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

**Interest rate risk**

The Association is exposed to interest rate risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate financial instruments subject the company to a fair value risk, while the floating-rate financial instruments subject the company to a cash flow risk. This exposure may have an effect on its earnings in future periods. The company reduces its exposure to interest rate risk by regularly monitoring published prime interest rates which have been relatively stable over the period presented. In the opinion of management the interest rate risk exposure to the company is low and is not material.

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