

Big Brothers & Big Sisters Association
of Lacombe and District
Financial Statements
For the year ended December 31, 2019
(Unaudited)

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(Unaudited)

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Independent Practitioner's Review Engagement Report

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, 2019, 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, 2019, 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.

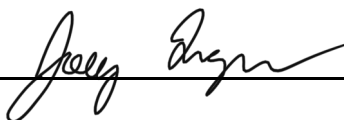
BDO Canada LLP
Chartered Professional Accountants

Lacombe, Alberta
June 29, 2020

Big Brothers & Big Sisters Association of Lacombe and District
Statement of Financial Position
(Unaudited)

December 31	2019	2018
Assets		
Current		
Cash (Note 2)	\$ 29,839	\$ 50,963
Accounts receivable	10,961	15,506
	40,800	66,469
Long-term portion of contributions receivable (Note 3)	22,500	15,000
Property (Note 4)	255,336	269,527
	\$ 318,636	\$ 350,996
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 5)	\$ 9,177	\$ 5,464
Deferred revenue (Note 6)	5,390	25,418
Current portion of long-term debt (Note 7)	123,797	131,997
Current portion of deferred capital contributions (Note 8)	9,972	9,531
	148,336	172,410
Deferred capital contributions (Note 8)	157,491	160,404
Long-term portion of deferred revenue	22,500	15,000
	328,327	347,814
Net assets		
Restricted	849	7,005
Unrestricted	25,385	28,583
Capital	(35,925)	(32,406)
	(9,691)	3,182
	\$ 318,636	\$ 350,996

Approved on behalf of the board:

 _____, Director

_____, Director

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

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 2019	Total 2018
Balance, beginning of year	\$ 7,005	\$ 28,583	\$ (32,406)	\$ 3,182	30,464
Excess (deficiency) of revenue over expenditures for the year	(117,230)	104,357	-	(12,873)	(27,282)
Transfers	111,074	(111,074)	-	-	-
Deferred capital contributions	-	7,500	(7,500)	-	-
Deferred contributions recognized	-	(8,616)	8,616	-	-
Debt retirement recognized	-	(1,356)	1,356	-	-
Principal loan payments	-	(8,200)	8,200	-	-
Amortization	-	14,191	(14,191)	-	-
Balance, end of year	\$ 849	\$ 25,385	\$ (35,925)	\$ (9,691)	3,182

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	2019 Budget	2019 Actual	2018 Actual
Revenue			
Bowl for Kids Sake	\$ 25,000	\$ 17,418	\$ 21,740
Direct expenses	(10,278)	(7,044)	(5,866)
Donations	53,000	109,224	64,873
Fundraising	42,000	56,380	69,498
Grant revenue	46,500	49,932	28,756
United Way funding	23,200	22,975	25,943
Other revenue	-	43	958
	<u>179,422</u>	<u>248,928</u>	<u>205,902</u>
Program costs			
Go Girls	3	51	667
In School Mentoring	102,856	115,461	80,139
Kids and Kops	7,268	11,283	10,429
Rural Outreach	45,235	76,952	83,464
Summer Program	-	-	114
	<u>155,362</u>	<u>203,747</u>	<u>174,813</u>
Gross margin	<u>24,060</u>	<u>45,181</u>	<u>31,089</u>
Expenditures			
Advertising and promotion	-	-	2,300
Amortization	-	14,191	14,191
Conference and travel expenses	-	3,481	1,313
Insurance	4,000	5,479	1,589
Interest and bank charges	85	577	354
Interest on long-term debt	-	5,900	6,268
Office	-	-	23
Professional dues	5,350	6,029	1,737
Salaries and related benefits	37,175	16,772	25,573
Telephone and utilities	9,900	5,625	5,023
	<u>56,510</u>	<u>58,054</u>	<u>58,371</u>
Excess of expenditures over revenue for the year	<u>\$ (32,450)</u>	<u>\$ (12,873)</u>	<u>\$ (27,282)</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)

For the year ended December 31	2019	2018
Cash flows from operating activities		
Excess of expenditures over revenue for the year	\$ (12,873)	\$ (27,282)
Adjustment for non-cash item		
Amortization	14,191	14,191
	<u>1,318</u>	<u>(13,091)</u>
Change in non-cash working capital items		
Decrease in accounts receivable	4,545	4,989
Increase in accounts payable and accrued liabilities	3,713	1,435
Decrease in deferred revenue	<u>(20,028)</u>	<u>(13,100)</u>
	<u>(10,452)</u>	<u>(19,767)</u>
Cash flows from investing activity		
Receipt of current portion of contributions receivable	<u>7,500</u>	<u>15,000</u>
Cash flows from financing activities		
Repayment of long-term debt	(8,200)	(7,832)
Deferred capital contributions	7,500	15,000
Recognition of deferred capital contributions	(8,616)	(8,175)
Recognition of deferred debt repayment	(1,356)	(1,356)
Recognition of current portion of deferred revenue	<u>(7,500)</u>	<u>(15,000)</u>
	<u>(18,172)</u>	<u>(17,363)</u>
Increase (decrease) in cash during the year	(21,124)	(22,130)
Cash, beginning of year	<u>50,963</u>	<u>73,093</u>
Cash, end of year	<u>\$ 29,839</u>	<u>\$ 50,963</u>
Cash consists of:		
Unrestricted cash	\$ 24,438	\$ 42,534
Externally restricted cash - casino	<u>5,401</u>	<u>8,429</u>
	<u>\$ 29,839</u>	<u>\$ 50,963</u>

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

Big Brothers & Big Sisters Association of Lacombe and District

Notes to the Financial Statements

(Unaudited)

December 31, 2019

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.

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, 2019

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:

	2019	2018
Unrestricted cash	\$ 24,438	\$ 40,558
Operating reserve	-	10,050
Casino	5,401	8,429
	\$ 29,839	\$ 59,037

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, 2019 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

	2019		2018	
	Cost	Accumulated Amortization	Net	Net
Land	\$ 20,000	\$ -	\$ 20,000	\$ 20,000
Buildings	283,822	48,486	235,336	249,527
	\$ 303,822	\$ 48,486	\$ 255,336	\$ 269,527

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

December 31, 2019

5. Accounts payable and accrued liabilities

Included in accounts payable are source deductions of \$3,456 (2018 - \$2,654).

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

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6. Deferred revenue

	2019	2018
Gord Bamford Charitable Foundation	\$ -	\$ 15,000
Casino funds	5,390	8,418
Landlord fundraising	-	2,000
	\$ 5,390	\$ 25,418

7. Long-term debt

	2019	2018
4.6% mortgage, payable \$1,175 monthly including interest, due August 1, 2020.	\$ 123,797	\$ 131,997
Less current portion	123,797	131,997
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 and is refinanced under the same terms, the estimated principal repayments are as follows:

2020	\$ 8,585
2021	8,988
2022	9,410
2023	9,853
2024	10,316
Subsequent years	76,645
	\$ 123,797

Big Brothers & Big Sisters Association of Lacombe and District
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8. 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	\$ 137,342	\$ 7,500	\$ (8,616)	\$ (441)	\$ 135,785
Debt repayment	23,062	-	(1,356)	-	21,706
	<u>\$ 160,404</u>	<u>\$ 7,500</u>	<u>\$ (9,972)</u>	<u>\$ (441)</u>	<u>\$ 157,491</u>

9. Net Assets

	2019 Opening Balances	Revenue	Expenses	Transfers	2019 Closing Balances
Restricted In School					
Mentoring	\$ 4,409	\$ 51,556	\$ (115,461)	\$ 59,496	-
Kids and Kops	1,696	6,324	(11,283)	3,263	-
Rural Outreach	-	28,637	(76,952)	48,315	-
Go Girls	900	-	(51)	-	849
	<u>7,005</u>	<u>86,517</u>	<u>(203,747)</u>	<u>111,074</u>	<u>849</u>
Unrestricted Capital	28,583	162,411	(58,054)	(109,251)	23,689
	<u>(32,406)</u>	<u>-</u>	<u>-</u>	<u>(3,519)</u>	<u>(35,925)</u>
	<u>(3,823)</u>	<u>162,411</u>	<u>(58,054)</u>	<u>(112,770)</u>	<u>(12,236)</u>
	<u>\$ 3,182</u>	<u>\$ 248,928</u>	<u>\$ (261,801)</u>	<u>\$ (1,696)</u>	<u>\$ (11,387)</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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10. 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.

11. 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.

12. Subsequent events

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. The entity's ability to continue to meet obligations as they come due is dependent on the continued ability to generate earnings and cash flows, this may include the use of existing credit facilities.
