

**Big Brothers & Big Sisters Association
of Lacombe and District
Financial Statements**
For the year ended December 31, 2020
(Unaudited)

Big Brothers & Big Sisters Association of Lacombe and District
Financial Statements
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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 (the "Association") that comprise the statement of financial position as at December 31, 2020, 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, 2020, 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 15, 2021

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

December 31	2020	2019
Assets		
Current		
Cash (Note 2)	\$ 112,026	\$ 29,839
Accounts receivable	43,707	10,961
	155,733	40,800
Long-term portion of contributions receivable	-	22,500
Property (Note 3)	241,145	255,336
	\$ 396,878	\$ 318,636
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 4)	\$ 8,017	\$ 9,177
Deferred revenue (Note 5)	50,698	5,390
Current portion of long-term debt (Note 6)	118,776	123,797
Current portion of deferred capital contributions (Note 7)	9,972	9,972
	187,463	148,336
Long-term debt (Note 6)	30,000	-
Deferred capital contributions (Note 7)	147,519	157,491
Long-term portion of deferred revenue	-	22,500
	364,982	328,327
Net assets		
Restricted	5,060	849
Unrestricted	61,959	25,385
Capital	(35,123)	(35,925)
	31,896	(9,691)
	\$ 396,878	\$ 318,636

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 2020	Total 2019
Balance, beginning of year	\$ 849	\$ 25,385	\$ (35,925)	\$ (9,691)	3,182
Excess (deficiency) of revenue over expenditures for the year	4,211	37,376	-	41,587	(12,873)
Deferred capital contributions	-	(8,616)	8,616	-	-
Debt retirement recognized	-	(1,356)	1,356	-	-
Principal loan payments	-	(5,021)	5,021	-	-
Amortization	-	14,191	(14,191)	-	-
Balance, end of year	\$ 5,060	\$ 61,959	\$ (35,123)	\$ 31,896	(9,691)

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	2020 Budget	2020 Actual	2019 Actual
Revenue			
Bowl for Kids Sake	\$ 15,000	\$ 46,578	17,418
Direct expenses	(8,600)	(6,928)	(7,044)
Donations	55,000	44,323	109,224
Fundraising	59,000	64,489	56,380
Grant revenue	33,400	86,628	49,932
United Way funding	32,000	22,000	22,975
Other revenue	-	90	43
	<u>185,800</u>	<u>257,180</u>	<u>248,928</u>
Program costs			
Go Girls	2,082	1,289	51
In School Mentoring	77,142	98,096	115,461
Kids and Kops	478	1,774	11,283
Rural Outreach	49,212	58,714	76,952
	<u>128,914</u>	<u>159,873</u>	<u>203,747</u>
Gross margin	<u>56,886</u>	<u>97,307</u>	<u>45,181</u>
Expenditures			
Amortization	-	14,191	14,191
Conference and travel expenses	-	618	3,481
Insurance	5,000	4,377	5,479
Interest and bank charges	85	425	577
Interest on long-term debt	5,555	5,554	5,900
Professional dues	5,350	6,271	6,029
Salaries and related benefits	20,979	18,615	16,772
Telephone and utilities	9,900	5,669	5,625
	<u>46,869</u>	<u>55,720</u>	<u>58,054</u>
Excess (deficiency) of revenue over expenditures for the year	<u>\$ 10,017</u>	<u>\$ 41,587</u>	<u>(12,873)</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	2020	2019
Cash flows from operating activities		
Excess (deficiency) of revenue over expenditures for the year	\$ 41,587	\$ (12,873)
Adjustment for non-cash item		
Amortization	14,191	14,191
	<u>55,778</u>	1,318
Change in non-cash working capital items		
Decrease (increase) in accounts receivable	(32,746)	4,545
Increase (decrease) in accounts payable and accrued liabilities	(1,160)	3,713
Increase (decrease) in deferred revenue	45,308	(20,028)
	<u>67,180</u>	(10,452)
Cash flows from investing activity		
Receipt of current portion of contributions receivable	-	7,500
Cash flows from financing activities		
Repayment of long-term debt	(15,021)	(8,200)
Proceeds from long-term debt	40,000	-
Deferred capital contributions	-	7,500
Recognition of deferred capital contributions	(8,616)	(8,616)
Recognition of deferred debt repayment	(1,356)	(1,356)
Recognition of current portion of deferred revenue	-	(7,500)
	<u>15,007</u>	(18,172)
Increase (decrease) in cash during the year	82,187	(21,124)
Cash, beginning of year	29,839	50,963
Cash, end of year	\$ 112,026	\$ 29,839
Cash consists of:		
Unrestricted cash	\$ 104,217	\$ 24,438
Externally restricted cash - casino	7,809	5,401
	<u>\$ 112,026</u>	<u>\$ 29,839</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, 2020

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.

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.

Big Brothers & Big Sisters Association of Lacombe and District

Notes to the Financial Statements

(Unaudited)

December 31, 2020

1. Summary of significant accounting policies (continued)

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:

	2020	2019
Unrestricted cash	\$ 104,216	\$ 24,438
Casino	7,809	5,401
	\$ 112,025	\$ 29,839

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, 2020 was 2.45%.

3. Property

	2020		2019	
	Cost	Accumulated Amortization	Net	Net
Land	\$ 20,000	\$ -	\$ 20,000	\$ 20,000
Buildings	283,822	62,677	221,145	235,336
	\$ 303,822	\$ 62,677	\$ 241,145	\$ 255,336

4. Accounts payable and accrued liabilities

Included in accounts payable are payroll source deductions of \$4,070 (2019 - \$3,456), of which all is current in nature.

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

December 31, 2020

5. Deferred revenue

	2020	2019
Gord Bamford Charitable Foundation	\$ 22,500	\$ -
Casino and raffle funds	28,198	5,390
	\$ 50,698	\$ 5,390

6. Long-term debt

	2020	2019
Prime plus 2% mortgage, payable \$1,175 monthly including interest, due August 1, 2021	\$ 118,776	\$ 123,797
0% CEBA loan, payable \$30,000 at December 31, 2022	30,000	-
Less current portion	148,776	123,797
Long-term portion	\$ 30,000	\$ -

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 ratio as of the balance sheet date. As a result of the non-compliance, the bank could demand repayment of loans.

In 2020, the Association received \$40,000 Canada Emergency Business Account (CEBA) loan to finance qualifying non-deferrable expenses during the COVID-19 pandemic. The loan is non-interest bearing with no scheduled payments until December 31, 2022. If \$30,000 of the loan has been repaid by that date, the remaining \$10,000 will be forgiven. If the \$30,000 in loan payments have not been made by December 31, 2022, the full outstanding balance will be converted to a 5% interest bearing loan to be repaid in monthly installments over a three year period ending December 31, 2025.

The \$10,000 forgivable portion has been recorded as grant revenue in 2020.

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

Prime rate at December 31, 2020 was 2.45%.

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

December 31, 2020

6. Long-term debt (continued)

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:

2021	\$	8,997
2022		39,405
2023		9,832
2024		10,279
2025		10,746
Subsequent years		69,517
	<u>\$</u>	<u>148,776</u>

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	Current amortization	Balance, end of year
Deferred contributions	\$ 134,429	\$ (8,616)	\$ 125,813
Debt repayment	23,062	(1,356)	21,706
	<u>\$ 157,491</u>	<u>\$ (9,972)</u>	<u>\$ 147,519</u>

8. Net Assets

	2020 Opening Balances	Revenue	Expenses	Transfers	2020 Closing Balances
Restricted					
In School					
Mentoring \$	-	\$ 48,855	\$ (98,096)	\$ 49,241	-
Kids and Kops	-	-	(1,774)	1,774	-
Rural					
Outreach	-	21,000	(58,714)	37,714	-
Go Girls	849	5,500	(1,289)	-	5,060
	<u>849</u>	<u>75,355</u>	<u>(159,873)</u>	<u>88,729</u>	<u>5,060</u>
Unrestricted					
Capital	25,385	181,825	(55,720)	(89,531)	61,959
	(35,925)	-	-	802	(35,123)
	<u>(10,540)</u>	<u>181,825</u>	<u>(55,720)</u>	<u>(88,729)</u>	<u>26,836</u>
	<u>\$ (9,691)</u>	<u>\$ 257,180</u>	<u>\$ (215,593)</u>	<u>\$ -</u>	<u>\$ 31,896</u>

Big Brothers & Big Sisters Association of Lacombe and District

Notes to the Financial Statements

(Unaudited)

December 31, 2020

8. Net Assets (continued)

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

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.

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.

11. Impact on future operations

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Association's environment and in the global markets due to the possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Association's operations.

The extent of the impact of this outbreak and related containment measures on the Association's operations cannot be reliably estimated at this time.
