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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, 2022, 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, 2022, 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 9, 2023

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

December 31	2022	2021
Assets		
Current		
Cash (Note 2)	\$ 118,512	\$ 135,762
Accounts receivable	535	1,174
	119,047	136,936
Property (Note 3)	215,658	230,573
	\$ 334,705	\$ 367,509
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 3,465	\$ 3,015
Deferred revenue (Note 4)	10,448	16,721
Current portion of long-term debt (Note 5)	39,398	9,405
Current portion of deferred capital contributions (Note 6)	11,472	11,472
	64,783	40,613
Long-term debt (Note 5)	91,573	130,525
Deferred capital contributions (Note 6)	145,575	157,047
	301,931	328,185
Net assets		
Unrestricted	75,136	87,202
Capital	(42,362)	(47,878)
	32,774	39,324
	\$ 334,705	\$ 367,509

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

	Unrestricted	Capital	Total 2022	Total 2021
Balance, beginning of year	\$ 87,202	\$ (47,878)	\$ 39,324	\$ 31,896
Excess (deficiency) of revenue over expenditures for the year	(6,550)	-	(6,550)	7,428
Deferred contributions recognized	(10,116)	10,116	-	-
Debt retirement recognized	(1,356)	1,356	-	-
Principal loan payments	(8,959)	8,959	-	-
Amortization	14,915	(14,915)	-	-
Balance, end of year	\$ 75,136	\$ (42,362)	\$ 32,774	\$ 39,324

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	2022 Budget	2022 Actual	2021 Actual
Revenue			
Donations	\$ 65,000	\$ 54,516	\$ 73,814
Fundraising	71,000	105,332	105,414
Grant revenue	55,500	70,762	72,439
Other revenue	-	284	1,051
	<u>191,500</u>	<u>230,894</u>	<u>252,718</u>
Expenditures			
Advertising and promotion	4,600	9,070	16,438
Amortization	-	14,915	14,593
BBBS Membership	5,000	4,901	5,223
Bookkeeping	6,500	6,824	3,500
Conference and travel expenses	-	3,332	6,181
Insurance	9,500	8,493	6,276
Interest and bank charges	85	535	656
Interest on long-term debt	5,081	5,081	5,235
Office	4,200	6,817	17,202
Professional dues	350	1,698	120
Professional fees	6,000	5,618	4,770
Program expense	4,000	21,849	43,022
Salaries and related benefits	142,952	140,180	115,561
Telephone and utilities	9,900	8,131	6,513
	<u>198,168</u>	<u>237,444</u>	<u>245,290</u>
Excess (deficiency) of revenue over expenditures for the year	\$ (6,668)	\$ (6,550)	\$ 7,428

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	2022	2021
Cash flows from operating activities		
Excess (deficiency) of revenue over expenditures for the year	\$ (6,550)	\$ 7,428
Adjustment for non-cash item		
Amortization	14,915	14,593
	<u>8,365</u>	<u>22,021</u>
Change in non-cash working capital items		
Decrease in accounts receivable	639	42,533
Increase (decrease) in accounts payable and accrued liabilities	451	(5,003)
Decrease in deferred revenue	(6,273)	(33,977)
	<u>3,182</u>	<u>25,574</u>
Cash flows from investing activity		
Purchase of property	-	(4,020)
Cash flows from financing activities		
Repayment of long-term debt	(8,960)	(8,846)
Deferred capital contributions	-	22,500
Recognition of deferred capital contributions	(10,116)	(10,116)
Recognition of deferred debt repayment	(1,356)	(1,356)
	<u>(20,432)</u>	<u>2,182</u>
Increase (decrease) in cash during the year	(17,250)	23,736
Cash, beginning of year	135,762	112,026
Cash, end of year	<u>\$ 118,512</u>	<u>\$ 135,762</u>
Cash consists of:		
Unrestricted cash	\$ 112,518	\$ 119,029
Externally restricted cash - casino	5,994	16,733
	<u>\$ 118,512</u>	<u>\$ 135,762</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, 2022

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, 2022

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:

	2022	2021
Unrestricted cash	\$ 112,518	\$ 119,010
Casino	5,994	16,732
	\$ 118,512	\$ 135,742

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, 2022 was 6.45%.

3. Property

	2022		2021	
	Cost	Accumulated Amortization	Net	Net
Land	\$ 20,000	\$ -	\$ 20,000	\$ 20,000
Buildings	283,822	91,059	192,763	206,954
Shed	4,021	1,126	2,895	3,619
	\$ 307,843	\$ 92,185	\$ 215,658	\$ 230,573

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

December 31, 2022

4. Deferred revenue

	2022	2021
Casino and raffle funds	\$ 5,983	\$ 16,721
Landlord of the month	1,000	-
Night Among the Stars	3,465	-
	\$ 10,448	\$ 16,721

5. Long-term debt

	2022	2021
4.8% mortgage, payable \$1,170 monthly including interest, due August 31, 2026	\$ 100,971	\$ 109,930
0% CEBA loan, payable \$30,000 at December 31, 2023	30,000	30,000
	130,971	139,930
Less current portion	39,398	9,405
Long-term portion	\$ 91,573	\$ 130,525

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 in compliance with these covenants as of the balance sheet date.

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, 2023. 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, 2023, 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, 2026.

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

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

Estimated principal repayments are as follows:

2023	\$ 39,398
2024	9,860
2025	10,343
2026	10,851
2027	11,383
Subsequent years	49,136
	\$ 130,971

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

December 31, 2022

6. 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	\$ 136,699	\$ (10,116)	\$ 126,583
Debt repayment	20,348	(1,356)	18,992
	\$ 157,047	\$ (11,472)	\$ 145,575

7. 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.
