

BIG BROTHERS BIG SISTERS OF CLARINGTON

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Kevin W. Melnichuk, Chartered Professional Accountant

INDEPENDENT AUDITOR'S REPORT

To The Directors of
Big Brothers Big Sisters of Clarington:

Qualified Opinion

I have audited the accompanying financial statements of Big Brothers Big Sisters of Clarington, which comprise the statement of financial position as at December 31, 2020 and the statements of operations, changes in net assets, and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of Big Brothers Big Sisters of Clarington 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.

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from donations and fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Big Brothers Big Sisters of Clarington. Therefore, I was not able to determine whether any adjustments might be necessary to recorded donations and fundraising, excess of revenues over expenses, cash flows from operations for the years ended December 31, 2020 and 2019, current assets as at December 31, 2020 and 2019, and net assets as at January 1 and December 31 for both the 2020 and 2019 years. My audit opinion on the financial statements for the year ended December 31, 2019 was modified accordingly because of the possible effects of this scope limitation.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of Big Brothers Big Sisters of Clarington in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

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

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

Kevin W. Melnichuk, Chartered Professional Accountant

Auditor's Responsibility for the Audit of the Financial Statements

My objective is 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 my 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, I exercise professional judgement and maintain professional skepticism throughout the audit. I 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 my 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 organization'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 organization's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or condition may cause the organization 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.

I 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 I identify during the audit.

Kevin W. Melnichuk

May 19, 2021
Oshawa, Ontario

Chartered Professional Accountant - Chartered Accountant
Licensed Public Accountant

Kevin W. Melnichuk, Chartered Professional Accountant

BIG BROTHERS BIG SISTERS OF CLARINGTON

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
REVENUE		
Donations	\$ 32,106	\$ 18,904
Grants (Note 5)	151,127	116,181
Fundraising (Note 6)	85,316	193,953
Canada Emergency Wage subsidies	63,960	-
United Way	21,000	26,000
Nevada and Raffle	3,255	3,757
Program registrations and other	1,000	29,104
Rental income	5,996	10,354
	<u>363,760</u>	<u>398,253</u>
EXPENSES		
Amortization	3,813	4,290
Building occupancy	5,549	16,779
Fundraising costs (Note 6)	11,339	42,385
Insurance	6,758	8,005
Interest and bank charges	4,308	6,953
National dues	4,900	4,900
Nevada and Raffle	-	87
Office and general	17,038	18,009
Professional fees	6,741	6,672
Program costs	6,779	14,899
Telephone	3,130	1,644
Travel	176	2,737
Wages and benefits	291,153	302,326
	<u>361,684</u>	<u>429,686</u>
SURPLUS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)	<u>\$ 2,076</u>	<u>\$ (31,433)</u>

The accompanying notes are an integral
part of the financial statements

Kevin W. Melnichuk, Chartered Professional Accountant

BIG BROTHERS BIG SISTERS OF CLARINGTON

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
<u>UNRESTRICTED NET ASSETS</u>		
Balance, beginning of year	\$ (24,495)	\$ 1,423
Surplus of Revenue over Expenses	2,076	(31,433)
Externally Restricted - Nevada and Raffle	(3,254)	1,225
Amortization of capital assets	3,813	4,290
Disposal of capital assets	<u>41</u>	<u>-</u>
BALANCE, END OF YEAR	<u>\$ (21,819)</u>	<u>\$ (24,495)</u>
<u>EXTERNALLY RESTRICTED - NEVADA AND RAFFLE</u>		
Balance, beginning of year	\$ 5,823	\$ 7,048
Revenue - Nevada	3,255	287
Revenue - Raffle	-	3,470
Direct expenses	-	(87)
Expenditures for programs	<u>-</u>	<u>(4,895)</u>
BALANCE, END OF YEAR	<u>\$ 9,078</u>	<u>\$ 5,823</u>
<u>NET ASSETS INVESTED IN CAPITAL ASSETS</u>		
Balance, beginning of year	\$ 180,334	\$ 184,624
Disposal of capital assets	(41)	-
Amortization of capital assets	<u>(3,813)</u>	<u>(4,290)</u>
BALANCE, END OF YEAR	<u>\$ 176,480</u>	<u>\$ 180,334</u>

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Kevin W. Melnichuk, Chartered Professional Accountant


BIG BROTHERS BIG SISTERS OF CLARINGTON

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current		
Cash (Note 3)	\$ 41,706	\$ -
Accounts receivable	22,302	21,787
Prepaid expenses	<u>534</u>	<u>1,574</u>
	<u>64,542</u>	<u>23,361</u>
Capital Assets (Note 4)	<u>176,480</u>	<u>180,334</u>
	<u>\$ 241,022</u>	<u>\$ 203,695</u>
<u>LIABILITIES</u>		
Current		
Bank indebtedness (Note 3)	\$ -	\$ 18,819
Accounts payable and accrued liabilities	7,600	7,450
Deferred revenue (Note 8)	29,683	15,764
COVID-19 support loan (Note 7)	<u>40,000</u>	<u>-</u>
	<u>77,283</u>	<u>42,033</u>
<u>NET ASSETS</u>		
Net assets invested in capital assets	176,480	180,334
Externally restricted - Nevada and Raffle	9,078	5,823
Unrestricted net assets	<u>(21,819)</u>	<u>(24,495)</u>
	<u>163,739</u>	<u>161,662</u>
	<u>\$ 241,022</u>	<u>\$ 203,695</u>

Approved on behalf of the Board:



(Director)

(Director)

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Kevin W. Melnichuk, Chartered Professional Accountant

BIG BROTHERS BIG SISTERS OF CLARINGTON

STATEMENT OF CASH FLOWS

AS AT DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
SOURCE (APPLICATION) OF CASH		
From Operating Activities		
Surplus (Deficiency) of revenues over expenses	\$ 2,076	\$ (31,433)
Plus expenses not involving an outlay of funds:		
Amortization	<u>3,813</u>	<u>4,290</u>
	<u>5,889</u>	<u>(27,143)</u>
Changes in non-cash items:		
Accounts receivable	(515)	(1,469)
Prepaid expenses	1,041	3,324
Accounts payable and accrued liabilities	150	(1,492)
Deferred revenue	<u>13,919</u>	<u>(1,027)</u>
	<u>14,595</u>	<u>(664)</u>
From Financing Activities		
COVID-19 support loan	<u>40,000</u>	<u>-</u>
From Investing Activities		
Disposal of capital assets	<u>41</u>	<u>-</u>
Increase (Decrease) in cash	60,525	(27,807)
Cash, beginning of year	<u>(18,819)</u>	<u>8,988</u>
Cash, end of year	\$ <u>41,706</u>	\$ <u>(18,819)</u>
CASH DETERMINATION		
Cash	\$ <u>41,706</u>	\$ <u>(18,819)</u>

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BIG BROTHERS BIG SISTERS OF CLARINGTON

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

1) Purpose of the Organization

Big Brothers Big Sisters of Clarington was incorporated without share capital on January 17, 1977 for the purpose of providing quality volunteer adult companionship to youth in the community, initiating opportunities for friendship and personal development.

The organization is a registered charitable organization. As a registered charity it must comply with conditions under the Income Tax Act and, while registered, is exempt from income taxes.

2) Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Revenue Recognition

The organization 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 in the period to which they pertain and when received, or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Grants are recorded in the period in which they are received unless they are given for a specific purpose or time. Funding given for a future year or a project to be completed in a future year is recorded as revenue in the designated year.

Fundraising revenue is recorded in the year the event is held.

United Way grants are approved on a calendar year basis and are recorded in that calendar year.

Program registrations are recorded in the year the program is held.

b) Capital Assets

Capital assets are recorded at cost and amortized over their estimated useful lives at the following annual rates:

Building	2.5% declining balance
Equipment, fixtures and signage	20% declining balance
Computer equipment	30% declining balance

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BIG BROTHERS BIG SISTERS OF CLARINGTON

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

2) Significant Accounting Policies (continued)

c) Contributed Services

Volunteers contribute numerous hours each year to assist in the programs. Because of the difficulty in determining the market value of such efforts, the value of contributed services has not been recognized in the financial statements.

d) 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 amount of assets and liabilities and disclosure of contingent assets and liabilities (if any) at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results may vary from the current estimates.

3) Bank Operating Line of Credit

The organization has an operating loan agreement allowing a bank line of credit, which is due on demand and is limited to \$95,000. Interest is calculated at the bank's prime rate plus 1.25%. As at December 31, 2020 \$Nil (\$26,379 in 2019) was owing on the line of credit. The line of credit is secured by a collateral mortgage on the land and building in the amount of \$120,000.

4) Capital Assets

Capital assets are stated as follows:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2020 Net</u>	<u>2019 Net</u>
Land	\$ 62,073	\$ -	\$ 62,073	\$ 62,073
Buildings	193,488	81,443	112,045	114,918
Computer equipment	5,626	3,664	1,962	2,844
Equipment	16,865	16,498	367	459
Signage	<u>1,994</u>	<u>1,961</u>	<u>33</u>	<u>40</u>
	<u>\$ 280,046</u>	<u>\$ 103,566</u>	<u>\$ 176,480</u>	<u>\$ 180,334</u>

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BIG BROTHERS BIG SISTERS OF CLARINGTON

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

5) Grants

	<u>2020</u>	<u>2019</u>
Mississaugas of Scugog Island	\$ -	\$ 2,500
Canadian Tire Jump Start	-	10,800
Corporation of the Municipality of Clarington	9,000	3,000
Emergency Community Support Fund	42,302	-
HRDC - Canada Summer Jobs	17,836	25,200
Ministry of Education	24,804	16,682
Ontario Trillium	55,579	57,827
Other	<u>1,606</u>	<u>172</u>
	<u>\$ 151,127</u>	<u>\$ 116,181</u>

6) Fundraising

	<u>Revenue</u>	<u>Expenses</u>	<u>2020 Net</u>	<u>2019 Net</u>
Bowling	\$ 20,953	\$ 670	\$ 20,283	\$ 29,887
Gala	24,324	2,788	21,536	49,505
Golf for Kids	29,800	6,578	23,222	35,176
Fruit Wine & Food Festival	-	-	-	9,830
Hockey	-	-	-	12,017
Other	<u>10,239</u>	<u>1,303</u>	<u>8,936</u>	<u>15,153</u>
	<u>\$ 85,316</u>	<u>\$ 11,339</u>	<u>\$ 73,977</u>	<u>\$ 151,568</u>

7) COVID-19 support loan

As part of the Government of Canada support package for small businesses and charities, the organization received a \$40,000 loan to help cover costs during the COVID-19 pandemic. This loan is an interest free loan and is considered a line of credit until December 31, 2022 at which time if not repaid, will turn into a term loan at an interest rate of 5% per annum repayable by December 31, 2025.

If the loan is repaid by December 31, 2022, 25% or \$10,000 will be forgiven. The organization intends to repay this loan as funds permit prior to December 31, 2022.

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BIG BROTHERS BIG SISTERS OF CLARINGTON

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

8) Deferred Revenue

Deferred revenue represents grant money not yet used for the school based mentoring program. As expenditures are incurred revenues will be recognized. Deferred revenue consists of the following:

	<u>2020</u>	<u>2019</u>
Trillium Grant	\$ 12,298	\$ 15,764
Emergency Community Support Fund Grant	<u>16,985</u>	<u>-</u>
	<u>\$ 29,283</u>	<u>\$ 21,308</u>

9) Commitments

Beginning on December 1, 2019 the organization entered into a sixty-six month photocopier lease requiring monthly lease payments of \$153 plus the cost of copies. The minimum payments are as follows:

2021	\$ 1,843
2022	1,843
2023	1,843
2024	1,843
2025	<u>768</u>
	<u>\$ 8,140</u>

10) Financial Instruments

The organization is exposed to various risks through its financial instruments. These risks include liquidity risk, credit risk and interest rate risk. The following analysis provides a measure of the organization's risk exposure at the financial statement date:

a) Liquidity Risk

Liquidity risk is the risk that an organization will encounter difficulty in meeting obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the organization's cash requirements, however the organization is exposed to liquidity risk in respect to its accounts payable and accrued liabilities.

b) Credit Risk

Credit risk is the risk that parties may default on their obligations. Credit risk on cash is minimized by holding all cash at major financial institutions. Credit risk on accounts receivable arises from the possibility that the amounts may not be paid to the organization.

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BIG BROTHERS BIG SISTERS OF CLARINGTON

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

10) Financial Instruments (continued)

c) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The organization has exposure to interest rate risk.

d) Interest Rate Risk

Interest rate risk is the risk that the fair value of financial instruments or future cash flows associated with the instrument will fluctuate due to changes in market interest rates. The organization's cash includes amounts that earn interest at market rates and its overdraft facility pays interest at market rates.

11) Subsequent Events due to the COVID-19 Pandemic

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various levels of government to contain the virus have affected economic activity throughout 2020, continuing into 2021. The organization has followed all provincial and local government recommendations to monitor and mitigate the spread of COVID-19 as well as providing online options for services and other events, and accessing any financial support (in the form of grants and subsidies) available.

At this stage, the impact on our organization and results have not been significant as based on our experience to date and we expect this to remain the case. However, the organization continues to be impacted as a result of measures taken to contain the spread. The duration and impact of the COVID-19 pandemic remains unclear at this time and it is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the organization for future periods.

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