

BIG BROTHERS BIG SISTERS OF CLARINGTON
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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, 2022 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, 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.

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, 2022 and 2021, current assets as at December 31, 2022 and 2021, and net assets as at January 1 and December 31 for both the 2022 and 2021 years. My audit opinion on the financial statements for the year ended December 31, 2021 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.



June 27, 2023
Oshawa, Ontario

Chartered Professional Accountant - Chartered Accountant
Licensed Public Accountant

BIG BROTHERS BIG SISTERS OF CLARINGTON

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
REVENUE		
Donations	\$ 28,893	\$ 24,193
Grants (Note 5)	145,176	131,510
Fundraising (Note 6)	88,123	93,471
Canada Emergency Wage subsidies	-	80,175
Canada Emergency Business Account loan forgiveness	20,000	-
United Way	21,000	21,000
Raffles	1,805	4,364
Program registrations and other	8,781	2,185
Rental income	10,050	4,950
	<u>323,828</u>	<u>361,848</u>
EXPENSES		
Amortization	4,384	3,469
Building occupancy	11,282	8,716
Fundraising costs (Note 6)	36,977	8,218
Insurance	13,339	9,196
Interest and bank charges	7,885	7,095
National dues	5,014	4,900
Raffle costs	993	-
Office and general	5,667	13,917
Professional fees	7,820	7,851
Program costs	15,228	5,438
Telephone	3,840	4,153
Travel	591	253
Wages and benefits	225,354	293,316
	<u>338,374</u>	<u>366,522</u>
SURPLUS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES) FROM OPERATIONS	(14,546)	(4,674)
Income from insurance claim (Note 11)	16,608	-
Unamortized balance of computer disposal	(1,373)	-
NET SURPLUS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)	\$ <u>689</u>	\$ <u>(4,674)</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, 2022

	<u>2022</u>	<u>2021</u>
<u>UNRESTRICTED NET ASSETS</u>		
Balance, beginning of year	\$ (27,324)	\$ (21,819)
Surplus of Revenue over Expenses	689	(4,674)
Externally Restricted - Raffle	4,916	(4,300)
Amortization of capital assets	4,384	3,469
Disposal of capital assets	1,373	-
Addition of capital assets	<u>(5,296)</u>	<u>-</u>
BALANCE, END OF YEAR	\$ <u>(21,258)</u>	\$ <u>(27,324)</u>
<u>EXTERNALLY RESTRICTED - NEVADA AND RAFFLE</u>		
Balance, beginning of year	\$ 13,378	\$ 9,078
Revenue - Raffles	1,805	4,364
Direct expenses	(993)	-
Expenditures for programs	<u>(5,728)</u>	<u>(64)</u>
BALANCE, END OF YEAR	\$ <u>8,462</u>	\$ <u>13,378</u>
<u>NET ASSETS INVESTED IN CAPITAL ASSETS</u>		
Balance, beginning of year	\$ 173,010	\$ 176,479
Addition of capital assets	5,296	-
Disposal of capital assets	(1,373)	-
Amortization of capital assets	<u>(4,384)</u>	<u>(3,469)</u>
BALANCE, END OF YEAR	\$ <u>172,549</u>	\$ <u>173,010</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 FINANCIAL POSITION

AS AT DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current		
Cash (Note 3)	\$ 8,462	\$ 15,885
Accounts receivable	18,551	37,834
Prepaid expenses	<u>7,333</u>	<u>534</u>
	<u>34,346</u>	<u>54,253</u>
Capital Assets (Note 4)	<u>172,549</u>	<u>173,010</u>
	<u>\$ 206,895</u>	<u>\$ 227,263</u>
<u>LIABILITIES</u>		
Current		
Bank indebtedness (Note 3)	\$ 23,995	\$ -
Accounts payable and accrued liabilities	14,645	8,199
Deferred revenue (Note 8)	8,502	-
COVID-19 support loan (Note 7)	<u>-</u>	<u>60,000</u>
	<u>47,142</u>	<u>68,199</u>
<u>NET ASSETS</u>		
Net assets invested in capital assets	172,549	173,010
Externally restricted - Nevada and Raffle	8,462	13,378
Unrestricted net assets	<u>(21,258)</u>	<u>(27,324)</u>
	<u>159,753</u>	<u>159,064</u>
	<u>\$ 206,895</u>	<u>\$ 227,263</u>

Approved on behalf of the Board:



(Director)



(Director)

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 CASH FLOWS

AS AT DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
SOURCE (APPLICATION) OF CASH		
From Operating Activities		
Surplus (Deficiency) of revenues over expenses	\$ 689	\$ (4,674)
Plus expenses not involving an outlay of funds:		
Amortization	<u>4,384</u>	<u>3,469</u>
	<u>5,073</u>	<u>(1,205)</u>
Changes in non-cash items:		
Accounts receivable	19,283	(15,531)
Prepaid expenses	(6,799)	-
Accounts payable and accrued liabilities	6,446	598
Deferred revenue	<u>8,502</u>	<u>(29,683)</u>
	<u>27,432</u>	<u>(44,616)</u>
From Financing Activities		
COVID-19 support loan repayment	(40,000)	-
COVID-19 support loan forgiven	(20,000)	-
COVID-19 support loan	<u>-</u>	<u>20,000</u>
	<u>(60,000)</u>	<u>20,000</u>
From Investing Activities		
Disposal of capital assets	1,373	-
Purchase of capital assets	<u>(5,296)</u>	<u>-</u>
	<u>(3,923)</u>	<u>-</u>
Increase (Decrease) in cash	(31,418)	(25,821)
Cash, beginning of year	<u>15,885</u>	<u>41,706</u>
Cash, end of year	<u>\$ (15,533)</u>	<u>\$ 15,885</u>
CASH DETERMINATION		
Cash	\$ 8,462	\$ 15,885
Bank indebtedness	<u>(23,995)</u>	<u>-</u>
	<u>\$ (15,533)</u>	<u>\$ 15,885</u>

The accompanying notes are an integral
part of the financial statements

Kevin W. Melnichuk, Chartered Professional Accountant

BIG BROTHERS BIG SISTERS OF CLARINGTON

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2022

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

**The accompanying notes are an integral
part of the financial statements**

Kevin W. Melnichuk, Chartered Professional Accountant

BIG BROTHERS BIG SISTERS OF CLARINGTON

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2022

2) Significant Accounting Policies (continued)

c) Financial Instruments

The organization considers any contract creating an asset for one entity and a liability for another entity to be a financial instrument. Financial assets and financial liabilities are initially measured at fair value adjusted for any related transaction costs.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost less impairments. Transaction costs on the acquisition, sale or issue of financial instruments are charged to the financial instrument.

Financial assets are assessed for impairment on an annual basis when indicators for impairment exist. If an indicator is present, the organization determines if significant changes in future cash flows from the asset are expected. If significant adverse changes to the cash flows are expected, the carrying value of the asset is reduced and the amount of the write-down is recognized in net surplus. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net surplus for the year. During the year no impairments were identified.

Financial assets measured at amortized cost include cash and accounts receivable at a total carrying value of \$26,973 (\$53,719 in 2021).

Financial liabilities measured at amortized cost include bank indebtedness, accounts payable and accrued liabilities at total carrying value of \$38,640 (\$8,299 in 2021).

d) 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.

e) 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 amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. By their nature, such estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. Assumptions are used in estimating accounts receivable, the useful lives of capital assets, accounts payable and accrued liabilities.

**The accompanying notes are an integral
part of the financial statements**

Kevin W. Melnichuk, Chartered Professional Accountant

BIG BROTHERS BIG SISTERS OF CLARINGTON

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2022

3) Bank Operating Line of Credit

The organization has an operating loan agreement allowing a bank line of credit, which is due on demand. Interest is calculated at the bank's prime rate plus 1.25%. As at December 31, 2022 \$24,095 (\$Nil in 2021) 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>2022 Net</u>	<u>2021 Net</u>
Land	\$ 62,073	\$ -	\$ 62,073	\$ 62,073
Buildings	193,488	86,975	106,513	109,244
Computer equipment	5,296	1,589	3,707	1,373
Equipment	15,097	14,862	235	294
Signage	<u>1,994</u>	<u>1,973</u>	<u>21</u>	<u>26</u>
	<u>\$ 277,948</u>	<u>\$ 105,399</u>	<u>\$ 172,549</u>	<u>\$ 173,010</u>

5) Grants

	<u>2022</u>	<u>2021</u>
Canadian Tire Jump Start	\$ 17,450	\$ -
Corporation of the Municipality of Clarington	4,000	3,000
Emergency Community Support Fund	-	12,698
Canada Summer Jobs	24,983	27,077
Ministry of Education	35,955	39,910
Ontario Trillium	62,398	45,085
Other	<u>390</u>	<u>3,740</u>
	<u>\$ 145,176</u>	<u>\$ 131,510</u>

The accompanying notes are an integral
part of the financial statements

Kevin W. Melnichuk, Chartered Professional Accountant

BIG BROTHERS BIG SISTERS OF CLARINGTON

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2022

6) Fundraising

	<u>Revenue</u>	<u>Expenses</u>	<u>2022 Net</u>	<u>2021 Net</u>
Gala	\$ 45,307	\$ 21,231	\$ 24,076	\$ 33,382
Golf for Kids	22,720	8,070	14,650	29,134
Fruit Wine & Food Festival	-	-	-	1,390
Road Hockey	13,944	7,676	6,268	-
Other	<u>6,152</u>	<u>-</u>	<u>6,152</u>	<u>21,347</u>
	<u>\$ 88,123</u>	<u>\$ 36,977</u>	<u>\$ 51,146</u>	<u>\$ 85,253</u>

7) COVID-19 support loan

As part of the Government of Canada support package for small businesses and charities, the organization received a \$60,000 loan to help cover costs during the COVID-19 pandemic. This loan is an interest free loan until December 31, 2023 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, 2023, \$20,000 will be forgiven.

During 2022, the organization repaid the \$40,000 repayable portion. Since this is within the repayment terms and the conditions for forgiveness where met, the remaining \$20,000 was forgiven and reported a income.

8) Deferred Revenue

Deferred revenue represents grant money not yet used for the intended purpose. As expenditures are incurred revenues will be recognized. Deferred revenue consists of the following:

	<u>2022</u>	<u>2021</u>
Trillium Grant	\$ <u>8,502</u>	\$ <u>-</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:

2023	\$ 1,843
2024	1,843
2025	<u>768</u>
	<u>\$ 4,454</u>

The accompanying notes are an integral
part of the financial statements

Kevin W. Melnichuk, Chartered Professional Accountant

BIG BROTHERS BIG SISTERS OF CLARINGTON

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2022

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. The organization mitigates this risk by preparing budgets and cash forecasts in order to ensure that sufficient cash is on hand for all planned outflows. 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 one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization is exposed to credit risk resulting from the possibility that a counter party to a financial instrument defaults on their financial obligations. The organization is exposed to credit risk as it relates to non-payment of its accounts receivable. This risk is mitigated by the organization's revenue recognition policy and is low as accounts receivable is only recorded when collection is assured and is from agencies with no history of inability to pay.

The organization is also exposed to credit risk for the amount of its cash held in the event of non-performance by other parties. The organization mitigates this risk by maintaining its cash resources with federally-regulated financial institutions.

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 bank overdraft facility pays interest at market rates.

There have not been any changes in the risks from the prior year.

11) Proceeds from Insurance Claim

During the year the organization had a flood in the basement of their building. The insurance company paid the cost of all necessary repairs (amounting to \$39,153) as well as provided funds in the amount of \$16,608 to cover replacement costs for damaged program materials and supplies accumulated over the years. These items were expensed in previous years.

**The accompanying notes are an integral
part of the financial statements**

Kevin W. Melnichuk, Chartered Professional Accountant