Big Brothers Big Sisters of Canada Les Grands Frères Grandes Soeurs du Canada

Financial Statements
December 31, 2016

May 1, 2017

Independent Auditor's Report

To the Members of
Big Brothers Big Sisters of Canada Les Grands Frères Grandes Soeurs du Canada

We have audited the accompanying financial statements of Big Brothers Big Sisters of Canada Les Grands Frères Grandes Soeurs du Canada, which comprise the statement of financial position as at December 31, 2016 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise 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.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Big Brothers Big Sisters of Canada Les Grands Frères Grandes Soeurs du Canada as at December 31, 2016 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Big Brothers Big Sisters of Canada
Les Grands Frères Grandes Soeurs du Canada

Statement of Financial Position

As at December 31, 2016

	2016 $	2015 $
Assets		
Current assets		
Cash and cash equivalents	124,202	631,363
Restricted cash and cash equivalents and short-term investments - self-insured retention (notes 2 and 13)	318,361	378,968
Short-term investments (notes 2 and 4)	301,701	531,243
Accounts receivable (notes 3 and 10)	1,484,868	352,500
Prepaid expenses	7,514	8,671
	2,236,646	1,902,745
Investments (note 4)	215,131	-
Capital assets (note 5)	12,591	9,226
	2,464,368	1,911,971
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	215,574	229,647
Deferred contributions (note 7)	1,205,796	486,878
Self-insured retention (note 13)	318,361	378,968
	1,739,731	1,095,493
Net Assets		
Unrestricted	724,637	816,478
	2,464,368	1,911,971

Operating lease commitments (note 9)

Contingencies (note 15)

Approved by the Board

_____ Chair _____ Treasurer

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

Big Brothers Big Sisters of Canada
Les Grands Frères Grandes Soeurs du Canada

Statement of Operations

For the year ended December 31, 2016

	2016 $	2015 $
Revenues		
Agency fees	1,073,978	1,055,443
Corporate donations	1,229,687	1,964,487
Government funding	1,692,142	2,212,600
General donations and other	136,489	186,065
Interest and investment income	12,389	10,657
	4,144,685	5,429,252
Expenses		
Agency services (note 8)	2,084,840	2,002,813
Amortization of capital assets	4,227	6,169
Amortization of intangible asset	-	5,088
Board operations	38,400	36,396
Distributions to agencies	1,576,835	2,424,937
Fundraising	16,150	15,441
Office operations (note 8)	516,074	551,963
	4,236,526	5,042,807
(Deficiency) excess of revenues over expenses for the year	(91,841)	386,445

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

Big Brothers Big Sisters of Canada
Les Grands Frères Grandes Soeurs du Canada

Statement of Changes in Net Assets

For the year ended December 31, 2016

	2016 $	2015 $
Balance - Beginning of year	816,478	430,033
(Deficiency) excess of revenues over expenses for the year	(91,841)	386,445
Balance - End of year	724,637	816,478

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

Big Brothers Big Sisters of Canada
Les Grands Frères Grandes Soeurs du Canada

Statement of Cash Flows

For the year ended December 31, 2016

	2016 $	2015 $
Cash provided by (used in)		
Operating activities		
(Deficiency) excess of revenues over expenses for the year	(91,841)	386,445
Items not affecting cash		
Amortization of capital assets	4,227	6,169
Amortization of intangible asset	-	5,088
	(87,614)	397,702
Change in non-cash working capital balances (note 12)	(486,973)	(45,473)
	(574,587)	352,229
Investing activities		
Purchase of capital assets	(7,592)	(3,928)
Purchase of short-term investments	(620,062)	(531,243)
Purchase of long-term investments	(215,131)	-
Maturity of short-term investments	531,243	326,882
	(311,542)	(208,289)
(Decrease) increase in cash and cash equivalents during the year	(886,129)	143,940
Cash and cash equivalents - Beginning of year	1,010,331	866,391
Cash and cash equivalents - End of year	124,202	1,010,331
Cash and cash equivalents comprise		
Unrestricted	124,202	631,363
Restricted	-	378,968
	124,202	1,010,331

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

1 Purpose of organization

Big Brothers Big Sisters of Canada Les Grands Frères Grandes Soeurs du Canada (the Organization) is a national organization providing services to its member agencies in support of local mentoring programs for boys and girls across Canada. The Organization was incorporated under the Canada Corporations Act by letters patent on December 15, 1964 as a corporation without share capital and was legally continued under the Canada Not-for-Profit Corporations Act on August 27, 2014.

The Organization is registered under the Income Tax Act (Canada) (the Act) effective January 1, 1967 and as such is exempt from Canadian income taxes and is able to issue donation receipts for income tax purposes under registration number 118808740 RR0001.

2 Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and reflect the following accounting policies.

Revenue recognition

The Organization follows the deferral method of accounting for contributions, which include agency fees, corporate donations, government funding and general and other donations.

Agency fees are recognized as revenue when received or receivable. Unrestricted contributions are recognized as revenue on receipt or when receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions for specific projects are recorded as deferred contributions when received or receivable and recognized as revenue when the related expense is incurred. Contributions for the purchase of capital assets are deferred and recorded as revenue over the useful life of the acquired asset. Donations of investments which, due to external restrictions, cannot be used to fund current expenses are recorded as deferred contributions on receipt and recognized as revenue when the external restriction is fulfilled. Pledges are recognized as revenue when the amount or value of the pledge is reasonably estimated and collection is reasonably assured.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks and highly liquid securities with original maturities shorter than 90 days.

Short-term investments

The short-term investments consist of mutual funds and term deposits with original maturities shorter than one year.

Investment

In 1998, the Organization received as a donation 8,764 units of the Northern Star Hedge Fund, a closed-end investment trust consisting of 71,216 units. When the units were received, they were recorded at their fair value of $1,000 per unit. The units cannot be redeemed until 2019, at which time the hedge fund will be terminated and the Organization will receive its pro rata share of the net assets of the hedge fund. The Organization is entitled to receive annual distributions from the hedge fund equal to 90% of the Organization's pro rata share of the net income of the hedge fund.

The Organization wrote down the investment in the hedge fund to $nil in previous years to reflect the uncertainty of the ultimate outcome of the hedge fund's performance. Any distributions realized on this investment will be recorded as revenue on receipt.

Donations-in-kind

Donations-in-kind are recorded at fair value on receipt or when receivable, with the exception of donated services. The Organization does not record the value of donated services unless the fair value can be reasonably estimated and the services are normally purchased by the Organization and would be paid for if not donated.

Capital assets

Capital assets purchased by the Organization are recorded at cost. Capital assets donated to the Organization are recorded at fair value at the date of contribution. Amortization of capital assets is provided for using the straight-line method over the assets' estimated useful lives as follows:

Computer equipment	5 years
Furniture and fixtures	5 years
Leasehold improvements	straight-line over period of lease

Intangible asset

The intangible asset consists of costs incurred to develop the website. The intangible asset is stated at fair value and is amortized over three years, which represents its estimated useful life.

Allocation of expenses

The Organization engages in general administration and agency support. The costs of agency support include the costs of personnel that are directly related to providing the programs. The Organization allocates certain of its personnel expenses by identifying the appropriate basis of allocating each component expense, and applies that basis consistently each year. Corporate governance and general management expenses are not allocated.

The salary and benefits costs of the National Office staff are allocated to agency support based on average time spent related to agency support services.

Financial instruments

Financial assets and liabilities are recognized when the Organization becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are derecognized when the rights and obligations to receive or repay cash flows from the assets and liabilities have expired or have been transferred and the Organization has transferred substantially all the risks and rewards of ownership.

The Organization initially measures all its financial assets and financial liabilities at fair value and subsequently at amortized cost except for short-term investments, which are recorded at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines whether there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of: (i) the present value of the expected cash flows; (ii) the amount that could be realized from selling the financial asset; or (iii) the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value. Impairments are recognized through the use of an allowance account, with a corresponding charge in the statement of operations.

Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses for the reporting period. Actual results could differ from those estimates. The estimates are reviewed periodically and as adjustments become necessary, they are reported in excess (deficiency) of revenues over expenses in the year in which they become known.

3 Accounts receivable

	2016 $	2015 $
Accounts receivable	1,499,732	388,722
Allowance for doubtful accounts	(14,864)	(36,222)
	1,484,868	352,500

Included in accounts receivable is $900,000 (2015 - $nil) due from the Ontario Ministry of Education as at year-end.

4 Short and long-term investments

Investments consist of the following:

	2016 $	2015 $
Short-term investments		
Guaranteed investment certificates due within one year, bearing interest at 0.95% to 1.35% (2015 - 0.60% to 1.40%)	301,701	531,243
Long-term investments		
Guaranteed investment certificates due in a period exceeding one year, bearing interest at 1.46% to 1.70% (2015 - nil%)	215,131	-

5 Capital assets

			2016
	Cost $	Accumulated amortization $	Net $
Computer equipment	176,000	166,226	9,774
Furniture and fixtures	5,463	5,463	-
Leasehold improvements	27,036	24,219	2,817
	208,499	195,908	12,591

			2015
	Cost $	Accumulated amortization $	Net $
Computer equipment	168,607	165,073	3,534
Furniture and fixtures	5,463	5,463	-
Leasehold improvements	26,837	21,145	5,692
	200,907	191,681	9,226

6 Intangible asset

			2016
	Cost $	Accumulated amortization $	Net $
Website costs	63,455	63,455	-

			2015
	Cost $	Accumulated amortization $	Net $
Website costs	63,455	63,455	-

7 Deferred contributions

Deferred contributions represent externally restricted unspent resources received in the current and prior years that relate to a subsequent period. Changes in the deferred contributions balance are as follows:

	2016 $	2015 $
Balance - Beginning of year	486,878	697,010
Less: Amounts recognized as revenue in the year	(2,228,028)	(2,797,797)
Add: Amounts received in the year	2,946,946	2,587,665
Balance - End of year	1,205,796	486,878

8 Allocation of expenses

Salary and benefit expenses reported in the statement of operations total $1,397,371 (2015 - $1,322,223). An allocation of $1,048,028 (2015 - $991,667) has been made to agency services with $349,343 (2015 - $330,556) included in office operations.

9 Operating lease commitments

The Organization has operating lease commitments for its premises and certain office equipment. The minimum rental payments for the next four years and thereafter are as follows:

	$
2017	58,808
2018	54,859
2019	50,392
2020	1,261
	165,320

10 Related party transactions and balances

The Big Brothers Big Sisters of Canada Foundation (the Foundation) is a trust under the laws of the Province of Ontario as a not-for-profit organization and is a registered charity under the Act. The Foundation has been created to support the advancement and enhancement of the mentoring of children and youth in Canada. The Organization and the Foundation have certain common board of directors' members.

As at year-end, the Organization has the following related party balances with the Foundation:

	2016 $	2015 $
Included in accounts receivable		
Due from the Foundation	1,225	31,014

All related party transactions and balances are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Amounts due from the Foundation are unsecured, non-interest bearing and have no set repayment terms.

In 2016, there were no payments for products or services to board members or companies in which a board member is an owner, partner or senior manager.

11 Government remittances

Government remittances consist of amounts (such as payroll withholding taxes) required to be paid to government authorities and are recognized when the amounts come due. As at December 31, 2016, government remittances to the federal and provincial governments included in accounts payable and accrued liabilities amounted to $673 (2015 - $1,659). These amounts are not in arrears.

12 Change in non-cash working capital balances

	2016 $	2015 $
Accounts receivable	(1,132,368)	(83,785)
Prepaid expenses	1,157	13,394
Accounts payable and accrued liabilities	(14,073)	76,082
Deferred contributions	718,918	(210,132)
Self-insured retention	(60,607)	158,968
	(486,973)	(45,473)

13 Restricted cash and cash equivalents and short-term investments - self-insured retention

The Organization's insurance policy includes a self-insured retention portion, which is a type of deductible. As at December 31, 2016, the Organization has received $318,681 (2015 - $378,968) from member agencies in order to reserve for this balance. Based on the claims outstanding as at December 31, 2016, it is estimated that an amount up to $377,000 (2015 - $449,000) may be payable to the insurance company in respect of the self-insured retention. Actual results and liabilities may vary based on the settlement of each case.

The amount of restricted cash and cash equivalents and restricted short-term investments for the self-insured retention is as follows:

	2016 $	2015 $
Cash and cash equivalents	-	378,968
Short-term investments	318,361	-
	318,361	378,968

14 Financial risk management

Risk management

Management has established policies and procedures to manage risks relating to financial instruments, with the objective of minimizing any adverse effects on financial performance. A brief description of management's assessment of these risks is as follows:

- General objectives, policies and processes

  Management is responsible for the determination of the Organization's risk management objectives and policies and for designing operating processes that ensure the effective implementation of these objectives and policies. In general, the Organization measures and monitors risk through the preparation and review of monthly reports by management.

- Credit risk

  Credit risk is the risk a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Organization.

  Financial instruments potentially exposed to credit risk include cash and cash equivalents, the short-term investments and accounts receivable. Management considers its exposure to credit risk over cash and cash equivalents to be remote as the Organization holds its cash and cash equivalents deposits with two major Canadian banks. Credit risk relating to the term deposits in short-term investments is also considered remote as they are fixed income securities issued by a major Canadian financial institution. Accounts

receivable are not concentrated significantly, therefore their carrying amount represents the maximum credit risk exposure.

- Interest rate risk

  Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

  Interest rate risk arises when the Organization invests in interest bearing financial instruments. The Organization is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is minimal sensitivity to interest rate fluctuations on any cash and cash equivalents or the short-term investments invested at short-term market interest rates.

- Liquidity risk

  Liquidity risk is defined as the risk the Organization may not be able to settle or meet its obligations as they come due.

  The Organization has taken steps to ensure it will have sufficient working capital available to meet its obligations.

It is management's opinion that the Organization is not exposed to foreign currency or other market risks.

15 Contingencies

The Organization may, from time to time, be subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. Management believes adequate provisions have been made in the accounts where required and the ultimate resolution of such contingencies will not have a material adverse effect on the financial position of the Organization. Any amounts in settlement of claims in excess of the recorded provisions will be charged to the statement of operations in the year of the claim.

16 Comparative figures

Certain prior year balances have been reclassified to conform to the current year presentation.