

BIG BROTHERS BIG SISTERS OF SOUTH-WEST DURHAM AND NORTHUMBERLAND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021



**Smith
Chappell
Marsh
Vilander LLP**

*H. Howard Smith, FCPA (Retired)
Richard A. Chappell, CPA, CA (Retired)
Deborah L. Marsh, CPA, CA
Vesa K. Vilander, CPA, CA*

INDEPENDENT AUDITOR'S REPORT

To the Members of:
Big Brothers Big Sisters of South-West Durham and Northumberland

Qualified Opinion

We have audited the financial statements of Big Brothers Big Sisters of South-West Durham and Northumberland (the Organization), which comprise the statement of financial position as at December 31, 2021, and the statements of operations, changes in net assets and cash flows for the years then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2021, and the results of its operations and its cash flows for the years then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from donation and fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donations, fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2021 and 2020, current assets as at December 31, 2021 and 2020 and net assets as at January 1 and December 31 for both the 2021 and 2020 years.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Auditor's Responsibilities for the Audit of the Financial Statements

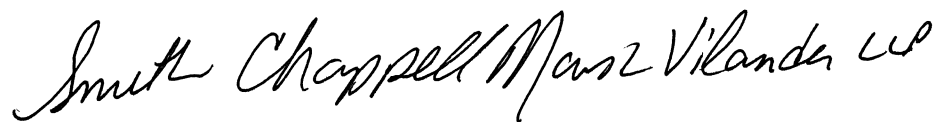
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions 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.**

We 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 we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



**August 16, 2022
Oshawa, Ontario**

**Chartered Professional Accountants
Licensed Public Accountants**

BIG BROTHERS BIG SISTERS OF SOUTH-WEST DURHAM AND NORTHUMBERLAND

(INCORPORATED WITHOUT SHARE CAPITAL UNDER THE LAWS OF THE PROVINCE OF ONTARIO)

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Current		
Cash	\$ 211,743	\$ 163,686
Accounts receivable	72,511	43,723
Prepaid expenses	-	3,000
	<u>284,254</u>	<u>210,409</u>
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued charges	\$ 41,222	\$ 55,845
Deferred revenue (Note 2(e))	55,833	78,361
Loans payable (Note 6)	29,500	67,500
	<u>126,555</u>	<u>201,706</u>
<u>NET ASSETS</u>		
Externally restricted (Note 8)	32,573	29,955
Unrestricted	125,126	(21,252)
	<u>157,699</u>	<u>8,703</u>
	<u>\$ 284,254</u>	<u>\$ 210,409</u>

Approved by the Board of Directors:

BIG BROTHERS BIG SISTERS OF SOUTH-WEST DURHAM AND NORTHUMBERLAND

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u>
Revenue		
Donations and other	\$ 93,339	\$ 128,755
United Way Durham Region	100,043	99,829
United Way Northumberland	66,333	71,000
Lottery	42,159	44,281
Government grants (Note 4)	361,292	295,085
Events (Note 3)	29,907	50,261
Second Helpings Thrift Shop	46,930	64,071
Other income	16	18
	<hr/>	<hr/>
	740,019	753,300
	<hr/>	<hr/>
Expenditures		
Salaries and benefits	482,098	442,558
Occupancy costs	8,492	12,770
Supplies and equipment	13,122	18,650
Recruitment and public relations	1,837	1,703
Professional fees	30,870	27,327
National membership dues	10,100	10,300
Program activities	30,998	17,725
Events (Note 3)	2,874	2,763
Insurance	8,062	8,706
Staff travel	2,570	944
	<hr/>	<hr/>
	591,023	543,446
	<hr/>	<hr/>
EXCESS OF REVENUE OVER EXPENDITURES	\$ 148,996	\$ 209,854
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BIG BROTHERS BIG SISTERS OF SOUTH-WEST DURHAM AND NORTHUMBERLAND

STATEMENT OF CHANGES IN NET ASSETS (DEFICIT)

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u>
Opening balance (deficit)	\$ 8,703	\$ (201,151)
Excess of revenue over expenditures	148,996	209,854
	<hr/>	<hr/>
Closing balance (deficit)	\$ 157,699	\$ 8,703
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BIG BROTHERS BIG SISTERS OF SOUTH-WEST DURHAM AND NORTHUMBERLAND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u>
Operating Activities		
Excess of expenditures over revenue	\$ 148,996	\$ 209,854
Net change in non-cash working capital balances related to operations (Note 9)	(62,939)	(96,915)
	<u>86,057</u>	<u>112,939</u>
Financing Activities		
Increase (decrease) in loans payable	(38,000)	25,000
Change in Cash and Cash Equivalents During the Year	<u>48,057</u>	<u>137,939</u>
Cash and Cash Equivalents at Beginning of Year	<u>163,686</u>	<u>25,747</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 211,743</u></u>	<u><u>\$ 163,686</u></u>
Cash and Cash Equivalents Consist of:		
Cash and short term investments	\$ 211,743	\$ 163,686
Bank indebtedness	-	-
	<u><u>\$ 211,743</u></u>	<u><u>\$ 163,686</u></u>

BIG BROTHERS BIG SISTERS OF SOUTH-WEST DURHAM AND NORTHUMBERLAND

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

1. Status and Nature of Activities

Big Brothers Big Sisters of South-West Durham and Northumberland is a registered charity which is exempt from income tax under the Income Tax Act. The organization was incorporated in Ontario as Big Brothers Association of Ajax-Pickering on November 15, 1973 as a corporation without share capital for the purpose of providing quality volunteer adult companionship to youth in the community, initiating opportunities for friendship and personal development. On June 23, 2017, the articles of incorporation were amended to change the corporate name to the existing name of Big Brothers Big Sisters of South-West Durham and Northumberland.

2. Significant Accounting Policies

The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations and include the following significant accounting policies:

(a) Contributed Goods and Services

Big Brothers Big Sisters of South-West Durham and Northumberland would not be able to carry out its activities without the services of many volunteers who donate a considerable number of hours. Because of the difficulty of compiling these hours, contributed services are not recognized in the financial statements.

Donated goods provided for fundraising purposes are not recognized in the financial statements.

(b) 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 as revenue when received or receivable, if the amount received can be reasonably estimated and collection is reasonably assured.

Fundraising revenues are recorded in the year the event is held.

United Way Grants are approved and recorded on a calendar year basis.

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.

BIG BROTHERS BIG SISTERS OF SOUTH-WEST DURHAM AND NORTHUMBERLAND

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

2. Significant Accounting Policies (continued)

(c) Capital Assets

Any expenditures of a capital nature are recorded as expenses in the year they are acquired.

(d) Use of 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 and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results may differ from those estimates.

(e) Deferred Revenue

Deferred revenue represents funding that has been received and relates to a subsequent year. Deferred revenue is comprised as follows:

	<u>2021</u>	<u>2020</u>
Opening balance	\$ 78,361	\$ 69,670
Deferred funding brought into income	(78,361)	(69,670)
Ontario Ministry of Education	-	11,600
Ontario Trillium Foundation	16,167	14,400
Other specific grants	39,666	52,361
	<u>\$ 55,833</u>	<u>\$ 78,361</u>

(f) Cash and Cash Equivalents

The organization's policy is to disclose bank balances and short term investments under cash and cash equivalents, including bank overdrafts with balances that could fluctuate from being positive to overdrawn.

BIG BROTHERS BIG SISTERS OF SOUTH-WEST DURHAM AND NORTHUMBERLAND

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

2. Significant Accounting Policies (continued)

(g) Financial Instruments

Measurement of financial instruments

The organization initially measures its financial assets at fair value.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and short term investments and accounts receivable.

Financial liabilities measured at amortized cost include the bank overdraft, accounts payable and accrued charges, government remittances and loans payable.

The organization has no financial assets measured at fair value.

Impairment

Financial assets measured at cost are tested for impairment annually. When there are indicators of impairment, the amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Transaction costs

The organization recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

BIG BROTHERS BIG SISTERS OF SOUTH-WEST DURHAM AND NORTHUMBERLAND

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

3. Events

	<u>Revenue</u>	<u>Expenses</u>	<u>2021 Net</u>	<u>2020 Net</u>
Bowling	\$ -	\$ -	\$ -	\$ 34,524
Move for Kids Sake	13,960	71	13,889	-
Other	15,947	2,803	13,144	12,974
	<u>\$ 29,907</u>	<u>\$ 2,874</u>	<u>\$ 27,033</u>	<u>\$ 47,498</u>

4. Government Grants

	<u>2021</u>	<u>2020</u>
Government of Canada COVID Subsidies (including ESCF funds flowed through Agencies)	\$ 184,787	\$ 187,957
Municipal grants	15,000	2,500
Ministry of Education (flowed through Big Brothers Big Sisters Canada)	76,897	57,160
Ontario Trillium Foundation	67,933	35,800
HRDC - Canada Summer Jobs	16,675	11,668
	<u>\$ 361,292</u>	<u>\$ 295,085</u>

5. Bank Indebtedness

Bank indebtedness includes a line of credit with the Royal Bank of Canada to a maximum of \$20,000. The interest rate is Royal Bank prime plus 3%. Security pledged for the line of credit consists of a general security agreement. There was no balance outstanding at December 31, 2021 (\$nil at December 31, 2020).

BIG BROTHERS BIG SISTERS OF SOUTH-WEST DURHAM AND NORTHUMBERLAND

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

6. Loans Payable

Loans payable are comprised as follows:

	<u>2021</u>	<u>2020</u>
CEBA Loan (see below)	\$ -	\$ 30,000
Due to third party on demand	-	8,000
Due to United Way Durham Region	29,500	29,500
	<u>29,500</u>	<u>29,500</u>
	<u>\$ 29,500</u>	<u>\$ 67,500</u>

The organization applied for and received the \$60,000 CEBA loan in the 2020 and 2021 fiscal years. The loan was provided by the Government of Canada to provide capital to businesses to see them through the current challenges due to the pandemic and better position them to return to providing services, and creating or maintaining employment. The loan is unsecured.

The loan is interest free to December 31, 2023. Provided the loan is repaid by December 31, 2023, \$20,000 of the loan will be forgiven. If the loan is not repaid by December 31, 2023, the full \$60,000 loan will be converted to loan repayable over three years with a 5% interest rate.

The \$10,000 forgiveness portion of the loan has been included in revenue in the current period (\$10,000 in 2020) as management repaid the loan in full in the 2021 fiscal year.

BIG BROTHERS BIG SISTERS OF SOUTH-WEST DURHAM AND NORTHUMBERLAND

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

7. Financial Instruments

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at December 31, 2021.

Credit risk

Credit risk arises from the potential that counterparties including clients will fail to perform their obligations. The organization is subject to credit risk through its receivables. Account monitoring procedures are utilized to minimize risk of loss.

Interest rate risk

Interest rate risk arises because of the fluctuation in interest rates. The organization is subject to interest rate risk through their investments. The organization has formal policies and procedures that establish target asset mix. The organization is also subject to interest rate risk through its line of credit. The organization monitors the interest rate regularly to ensure a reasonable rate is being utilized.

Liquidity risk

Liquidity risk is defined as the risk that the organization may not be able to settle or meet its obligations as they become due. The organization has taken steps to ensure that it will have sufficient working capital available to meet its obligations.

BIG BROTHERS BIG SISTERS OF SOUTH-WEST DURHAM AND NORTHUMBERLAND

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

8. Bingo, Nevada and lottery Activities

	<u>2021</u>	<u>2020</u>
Revenue	\$ 42,159	\$ 44,281
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Amounts spent on programs from bingo, nevada and lottery funds (these amounts are part of the totals already reported in the statement of operations)	39,541	27,963
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	2,618	16,318
Bingo, nevada and lottery funds at beginning of year	29,955	13,637
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Bingo, nevada and lottery funds at end of year	\$ 32,573	\$ 29,955
	<hr/> <hr/>	<hr/> <hr/>
<u>ASSETS</u>		
Cash	\$ 32,138	\$ 28,709
Accounts receivable	2,212	1,246
	<hr/>	<hr/>
	\$ 34,350	\$ 29,955
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES</u>		
Accounts payable	\$ 1,777	\$ -
	<hr/>	<hr/>
<u>NET ASSETS</u>		
Surplus	32,573	29,955
	<hr/>	<hr/>
	\$ 34,350	\$ 29,955
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BIG BROTHERS BIG SISTERS OF SOUTH-WEST DURHAM AND NORTHUMBERLAND

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

9. Cash provided from (used for) working capital

Cash otherwise available from operating activities is influenced by increases or decreases in the following items:

	<u>2021</u>	<u>2020</u>
Accounts receivable	\$ (28,788)	\$ (27,617)
Prepaid expenses	3,000	(477)
Deferred revenue	(22,528)	8,691
Government remittances	-	(12,893)
Accounts payable and accrued liabilities	(14,623)	(64,619)
	<u>\$ (62,939)</u>	<u>\$ (96,915)</u>

10. Government Assistance

In response to the negative impact of COVID-19, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") program in April 2020. CEWS provides a wage subsidy on eligible remuneration, subject to limits per employee, to eligible employers based on certain criteria, including demonstration of revenue declines as a result of COVID19. This subsidy was available from March 15, 2020 to October 23, 2021.

The organization has determined that it has qualified for this subsidy from the March 15, 2020 effective date and has accordingly applied for, and received, the CEWS. The organization will recognize government grants when there is reasonable assurance that it will comply with the conditions required to qualify for the grant, and that the grant will be received.

The organization has recognized \$122,426 (2020 - \$110,735) of government assistance related to CEWS for the period ended December 31, 2021.

11. Commitments

The organization has entered into a lease for its office premises until February 28, 2022. Per the agreement, the organization is to pay 50% of the operating costs each year. For 2022, these costs are estimated at \$800 per month

BIG BROTHERS BIG SISTERS OF SOUTH-WEST DURHAM AND NORTHUMBERLAND

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

12. Impact of COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel Coronavirus (COVID-19) as a global pandemic, which continues to spread in Canada and around the world.

As at August 16, 2022, the organization is aware of changes in the operations as a result of the COVID-19 crisis and has evolved to have events on an online platform. Fundraising efforts have also evolved and will continue to evolve until the pandemic is over. The organization has applied for all available subsidies and loans that they are eligible for and are reducing operating costs where possible.

Management is uncertain of the effects of these changes on its financial statements and believes that any disturbance is temporary, however, there is uncertainty about the length and potential impact of the disturbance.

As a result, we are unable to estimate the potential impact on the organization's operations as at the date of these financial statements.