

Big Brothers Big Sisters of London and Area

Financial Statements
March 31, 2011

September 15, 2011

Independent Auditor's Report

To the Directors of Big Brothers Big Sisters of London and Area

We have audited the accompanying financial statements of Big Brothers Big Sisters of London and Area (the "Organization"), which comprise the balance sheet as at March 31, 2011 and the statements of changes in accumulated net assets, revenues and expenditures and cash flows for the year then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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 qualified audit opinion.

Basis for qualified opinion

In common with many not-for-profit organizations, the Organization derives revenue from donations and fundraising, 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, and we were not able to determine whether any adjustments might be necessary to revenues, excess (deficit) of revenues over expenditures and accumulated net assets.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Big Brothers Big Sisters of London and Area as at March 31, 2011 and its results of operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at March 31, 2010 and for the year then ended were audited by another Chartered Accountant in their report dated July 8, 2010.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Big Brothers Big Sisters of London and Area

Balance Sheet

As at March 31, 2011

	Investment in capital assets \$	Reserve fund \$	Gala fund \$	Operating fund \$	2011 \$	2010 \$
Assets						
Current assets						
Cash	133,173	93	84,518	7,510	225,294	538,796
Investments (note 3)	451,000	-	-	-	451,000	160,059
Other receivables	-	-	-	14,289	14,289	2,686
Prepaid expenses	-	-	-	7,280	7,280	13,960
Inter-fund balances	12,263	-	2,201	-	14,464	9,451
	596,436	93	86,719	29,079	712,327	724,952
Capital assets (note 4)	7,560	-	-	-	7,560	4,904
	603,996	93	86,719	29,079	719,887	729,856
Liabilities						
Current liabilities						
Accounts payable and accrued liabilities	-	-	-	34,780	34,780	28,868
Inter-fund balances	-	-	-	14,464	14,464	9,451
	-	-	-	49,244	49,244	38,319
Deferred contributions (note 6)						
Expenses of future periods	-	-	1,075	9,732	10,807	51,016
Capital assets	60,668	-	-	-	60,668	58,330
	60,668	-	1,075	9,732	71,475	109,346
Accumulated net assets	543,328	93	85,644	(29,897)	599,168	582,191
	603,996	93	86,719	29,079	719,887	729,856

Approved by the Board of Directors

_____ Director

_____ Director

Big Brothers Big Sisters of London and Area

Statement of Changes in Accumulated Net Assets

For the year ended March 31, 2011

	Investment in capital assets \$	Reserve fund \$	Gala fund \$	Operating fund \$	2011 \$	2010 \$
Balance - Beginning of year	544,409	93	67,958	(30,269)	582,191	110,299
Related party transactions (note 9)	-	-	-	-	-	49,009
Excess (deficit) of revenue over expenditures	(1,081)	-	83,954	(65,896)	16,977	422,883
Transfers among funds (note 5)	-	-	(66,268)	66,268	-	-
Balance - End of year	<u>543,328</u>	<u>93</u>	<u>85,644</u>	<u>(29,897)</u>	<u>599,168</u>	<u>582,191</u>

Big Brothers Big Sisters of London and Area

Statement of Revenues and Expenditures

For the year ended March 31, 2011

	Investment in capital assets \$	Reserve fund \$	Gala fund \$	Operating fund \$	2011 \$	2010 \$
Revenues						
United Way	-	-	-	399,509	399,509	399,509
Fundraising events (note 7)	2,524	-	110,933	142,420	255,877	327,560
Donations, grants and other	-	-	-	179,415	179,415	220,134
Amortization of deferred contributions related to capital assets (note 6)	2,165	-	-	-	2,165	108,297
Interest and other income	-	-	93	1,502	1,595	190
Gain on disposal of assets	-	-	-	-	-	336,380
	4,689	-	111,026	722,846	838,561	1,392,070
Expenditures						
General and administrative	-	-	-	309,548	309,548	279,571
Fundraising events and stewardship (note 7)	-	-	27,072	16,021	43,093	196,025
Children's programs and services	-	-	-	426,070	426,070	433,504
Membership fees	-	-	-	14,334	14,334	14,694
Professional services	-	-	-	12,525	12,525	11,715
Training and development	-	-	-	10,244	10,244	7,607
Amortization	5,770	-	-	-	5,770	26,071
	5,770	-	27,072	788,742	821,584	969,187
Excess (deficit) of revenues over expenditures	(1,081)	-	83,954	(65,896)	16,977	422,883

Big Brothers Big Sisters of London and Area

Statement of Cash Flows

For the year ended March 31, 2011

	Investment in capital assets \$	Reserve fund \$	Gala fund \$	Operating fund \$	2011 \$	2010 \$
Cash provided by (used in)						
Operating activities						
Excess (deficit) of revenues over expenditures	(1,081)	-	83,954	(65,896)	16,977	422,883
Items not affecting cash						
Gain on disposal of capital assets	-	-	-	-	-	(336,380)
Amortization of capital assets	5,770	-	-	-	5,770	26,071
	4,689	-	83,954	(65,896)	22,747	112,574
Changes in non-cash working capital items:						
Other receivables	116	-	26	(11,745)	(11,603)	14,412
Prepaid expenses	-	-	1,841	4,839	6,680	43,392
Accounts payable	-	-	-	5,912	5,912	(69,606)
Due to Big Brothers of London	-	-	-	-	-	(8,722)
Deferred contributions	2,337	-	(20,109)	(20,100)	(37,872)	(86,552)
Inter-fund balances	(21,714)	-	6,726	14,988	-	-
Cash provided by operating activities	(14,572)	-	72,438	(72,002)	(14,136)	5,498
Investing activities						
Inter-fund transfers	-	-	(66,268)	66,268	-	-
Purchase of capital assets	(8,425)	-	-	-	(8,425)	(25,843)
Proceeds from disposal of capital assets	-	-	-	-	-	497,764
Contributions received for Capital Asset Fund	-	-	-	-	-	(30,534)
Investments	(351,000)	-	60,059	-	(290,941)	(160,059)
Cash provided by investing activities	(359,425)	-	(6,209)	66,268	(299,366)	281,328
Increase in cash during the year	(373,997)	-	66,229	(5,734)	(313,502)	286,826
Cash - Beginning of year	507,170	93	18,289	13,244	538,796	251,970
Cash - End of year	133,173	93	84,518	7,510	225,294	538,796

Big Brothers Big Sisters of London and Area

Notes to Financial Statements

March 31, 2011

1 Nature of organization

Big Brothers Big Sisters of London and Area (the "Organization") is a non-profit organization whose mission is to provide positive mentoring experiences to boys and girls in order to foster the development of their self esteem and potential for a brighter future. The Organization is a registered charity and its charitable donation registration number is 12982-0874-RR0001.

2 Significant accounting policies

The accompanying financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies.

Fund accounting

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by donors or in accordance with directives issued by the Board of Directors. Transfers between the funds are made when it is considered appropriate and authorized by the Board of Directors.

For financial reporting purposes, the accounts have been classified into the following funds:

Investment in capital assets

Investment in capital assets reports the assets, liabilities, revenues and expenses related to the Organization's capital assets.

Reserve Fund

The Board of Directors has determined that an internally restricted Reserve Fund should be established to ensure the continuance of services in future years. The Board of Directors may authorize the transfer of Reserve Funds in order to offset any shortfall in the Operating Fund. Both the allocation to and from the Reserve Fund is to be determined on an annual basis at the discretion of the Board of Directors.

Gala Fund

The internally restricted Gala Fund reports the assets, liabilities, revenues and expenses related to the Organization's annual Gala.

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Operating Fund

The Operating Fund accounts for the Organization's general fundraising and administrative activities. The Operating Fund reports unrestricted resources available for immediate purposes.

Revenue recognition

The Organization follows the deferral method of accounting for contributions which include donations and government grants.

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.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purpose of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Grants, donations, United Way allotment and other revenue to support general operations are recorded as unrestricted.

Fundraising revenue net of expenses, related to the annual gala event, are included in the internally restricted Gala Fund.

Bequest and endowment contributions received by the Organization are transferred to the Big Brothers Big Sisters of London and Area Endowment Fund (note 10).

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the following estimated useful lives:

Furniture and equipment	5 years
Computer hardware	3 years
Computer software	2 years

Volunteer contributions

Volunteers contribute numerous hours per year to assist the Organization in carrying out its mission. Due to the difficulty of determining fair value, volunteer contributions are not recognized in the financial statements.

Income taxes

The Organization is a Public Foundation incorporated under the laws of Ontario as a corporation without share capital. It is registered as a charity under The Income Tax Act, and as such there is no provision for income taxes.

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Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from those estimates.

Financial instruments

The Organization's financial instruments include cash, amounts receivable, and accounts payable and accrued liabilities. Due to their nature or capacity for prompt liquidations, the fair values of these financial instruments approximate their carrying value.

It is management's opinion that the Organization is not exposed to significant interest rate, currency or credit risk arising from these financial instruments. Risk management measures to mitigate these risks are outlined in note 12.

The Organization's financial instruments also include investments. Additional disclosure related to investments is included in note 3.

3 Investments

Short-term investments are comprised of GICs that are recorded at market value with interest rates ranging from 1.25% to 3.00% and maturing in less than one year.

Big Brothers Big Sisters of London and Area

Notes to Financial Statements

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4 Capital assets

	Cost	Accumulated amortization	2011
	\$	\$	Net \$
Furniture and equipment	104,043	102,323	1,720
Computer hardware	67,278	61,438	5,840
Computer software	18,172	18,172	-
	<hr/> 189,493	<hr/> 181,933	<hr/> 7,560
			2010
	Cost	Accumulated amortization	Net
	\$	\$	\$
Furniture and equipment	104,043	101,360	2,683
Computer hardware	58,853	56,632	2,221
Computer software	18,172	18,172	-
	<hr/> 181,068	<hr/> 176,164	<hr/> 4,904

5 Interfund transfers

The net proceeds of \$66,268 (2010 - \$80,537) from the May 2009 (2008) Gala were transferred during the year from the Gala Fund to the Operating Fund to fund the general operations of the Organization.

6 Deferred contributions

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted gains and donations.

	2011	2010
	\$	\$
Balance - Beginning of year	51,016	168,102
Less: Amount recognized as revenue in the year	(111,284)	(207,370)
Add: Amount received during the year	71,075	90,284
	<hr/> 10,807	<hr/> 51,016

Big Brothers Big Sisters of London and Area

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b) Capital assets

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations received for the purchase of capital assets. These contributions are being amortized into income on the same basis as the related capital assets. The changes in the deferred contribution balance for the year are as follows:

	2011 \$	2010 \$
Balance - Beginning of year	58,330	136,093
Add:		
Donation	-	30,000
Interest	4,503	534
Less:		
Amortization of deferred contributions	(2,165)	(108,297)
Balance - End of year	<u>60,668</u>	<u>58,330</u>
Balance represented by:		
Unamortized contributions	-	2,166
Unspent contributions	60,668	56,164
	<u>60,668</u>	<u>58,330</u>

7 Fundraising events and stewardship

			2011	2010
	Revenues \$	Expenses \$	Net \$	Net \$
Gala evening	110,933	27,072	83,861	66,268
Golf tournament	43,912	5,578	38,334	41,374
Snow volleyball	-	-	-	18,862
Bowling for Kids' Sake	98,508	7,269	91,239	(576)
Volunteer recognition	-	3,174	(3,174)	(2,533)
I Luv London	2,524	-	2,524	8,140
	<u>255,877</u>	<u>43,093</u>	<u>212,784</u>	<u>131,535</u>

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8 Lease commitments

The Organization has entered into a lease agreement for the building it rents. Under the terms of the lease, which expires November 30, 2015, the Organization pays utilities, insurance, property taxes, repairs and maintenance, and other like costs. The annual base rental payments are as follows:

Year ending March 31, 2012	\$ 72,199
2013	72,199
2014	72,199
2015	<u>48,133</u>
	<u>264,730</u>

9 Related party transactions

In 2010, the remaining assets from Big Brothers of London were transferred to Big Brothers Big Sisters of London and Area. These assets were transferred at the carrying amount, in accordance with the Canadian Institute of Chartered Accountants (“CICA”) Handbook guidance on related party transactions. The excess was credited to accumulated net assets.

10 Big Brothers Big Sisters of London and Area Endowment Fund (the “Fund”)

A permanent charitable endowment fund has been created within the London Community Foundation. Interest and dividend income earned by the Fund shall be paid on an annual basis no later than April 30 each year. Net realized gains on the sale of investments will be reinvested as capital unless notice to the contrary is secured by the London Community Foundation by May 30 of each year. If in any year there occurs a realized loss that reduces the Fund balance below the total value of the capital donations, then no payout of net income or realized gains would be made from the Fund until the original capital has been rebuilt. An annual administration fee, of not more than 1% capital, is charged to the Fund by the London Community Foundation. Changes in the balance of the Fund are as follows:

	2011	2010
	\$	\$
Balance - Beginning of year	194,808	156,766
Donations	3,440	3,222
Investment gains	19,563	34,351
Transfers from Big Brothers of London endowment fund	1,000	3,000
Disbursement to Big Brothers Big Sisters of London and Area	(2,500)	(700)
Administrative fees	<u>(2,035)</u>	<u>(1,831)</u>
Balance - End of year	<u>214,276</u>	<u>194,808</u>

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11 Capital disclosure

The Organization manages its capital to ensure that it will be able to continue as a going concern while maximizing its ability to achieve the Organization's mission through suitable debt and accumulated net assets appropriate for an entity of the Organization's size and status. The Organization is not subject to externally imposed capital requirements and the Organization's strategy with respect to capital risk management is to perform annual cash flow projections, reviewed by the Board of Directors on a quarterly basis.

The capital structure of the Organization consists of accumulated net assets comprised of those invested in capital assets, internally restricted and unrestricted funds.

12 Risk management

Credit and market risk

The Organization has an investment policy which restricts the types and amounts of eligible investments. The policy permits investments in fixed income investments. The Organization does not have any significant exposure to credit risk.

Currency risk

The Organization's assets, liabilities, revenues and expenses are denominated in Canadian dollars. As such, the Organization is not exposed to significant currency risk.

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Organization's cash flows, financial position and income. Interest rate changes directly impact the value of fixed income securities. The Organization manages the interest rate price risk exposure of its fixed income investments by holding investments with varying terms to maturity.

13 Future accounting changes

Accounting standards for not-for-profit organizations

In December 2010, the Canadian Accounting Standards Board issued a comprehensive set of accounting standards applicable to not-for-profit organizations. The standards are effective for fiscal years beginning on or after January 1, 2012 and require retrospective application, except for certain exemptions and exceptions contained within the standards. Early adoption of the standards is permitted. The Organization is currently considering the impact of the adoption of these standards.

