Financial Statements of

BIG BROTHERS BIG SISTERS OF VICTORIA CAPITAL REGION

Year ended June 30, 2020

KPMG

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INDEPENDENT AUDITORS' REPORT

To the Members of Big Brothers Big Sisters of Victoria Capital Region

Report on the Financial Statements

Opinion

We have audited the financial statements of Big Brothers Big Sisters of Victoria Capital Region (the Entity), which comprise:

- the statement of financial position as at June 30, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at June 30, 2020 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit 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 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Entity's financial reporting process.

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada
October 27, 2020

BIG BROTHERS BIG SISTERS OF VICTORIA CAPITAL REGION

Statement of Financial Position

June 30, 2020, with comparative information for 2019

		2020		2019
Assets				
Current assets:				
Cash	$	463,716	$	463,595
Term deposit (note 2)		66,641		65,492
Accounts receivable		162,922		15,960
Prepaid expenses and deposits		11,010		11,813
		704,289		556,860
Capital assets (note 3)		29,382		41,927
	$	733,671	$	598,787
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	$	58,562	$	145,407
Deferred contributions (note 5)		270,911		219,267
		329,473		364,674
Canada Emergency Business Account loan (note 7)		40,000		-
Deferred capital contributions (note 6)		5,660		8,085
Net assets:				
Unrestricted		64,816		52,186
Internally restricted (note 8)		270,000		140,000
Invested in capital assets		23,722		33,842
		358,538		226,028
Commitments (note 9)				
Subsequent events (note 16)				
	$	733,671	$	598,787

See accompanying notes to financial statements.

On behalf of the Board:

____________________ Director ____________________ Director

BIG BROTHERS BIG SISTERS OF VICTORIA CAPITAL REGION
Statement of Operations

Year ended June 30, 2020, with comparative information for 2019

	Operations	Social Enterprise	2020 Total	2019 Total (Schedule 1)
Revenue:				
Social enterprise revenue	$ -	$ 711,014	$ 711,014	$ 1,220,408
United Way contributions	54,187	-	54,187	56,179
Grants and subsidies (note 10)	336,426	-	336,426	299,393
Fundraising and donations	196,892	7,864	204,756	166,592
Interest and miscellaneous	1,952	402	2,354	2,383
Amortization of deferred capital contributions	2,425	-	2,425	3,465
	591,882	719,280	1,311,162	1,748,420
Expenses:				
Advertising and promotion	5,857	1,241	7,098	2,333
Amortization	7,383	11,469	18,852	20,981
Building occupancy	61,653	59,374	121,027	118,473
Dues	13,332	170	13,502	13,441
Fundraising and development	2,832	-	2,832	19,522
Office	12,854	20,142	32,996	41,013
Professional	5,617	8,559	14,176	19,373
Program/Partnerships	10,759	157,409	168,168	511,112
Truck operating and rental	-	47,854	47,854	60,308
Wages and personnel	502,574	351,485	854,059	898,208
	622,861	657,703	1,280,564	1,704,764
Excess (deficiency) of revenue over expenses before the undernoted	(30,979)	61,577	30,598	43,656
Canadian emergency wage subsidy ("CEWS")	101,912	-	101,912	-
Excess (deficiency) of revenue over expenses	$ 70,933	$ 61,577	$ 132,510	$ 43,656

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF VICTORIA CAPITAL REGION

Statement of Changes in Net Assets

Year ended June 30, 2020, with comparative information for 2019

	Unrestricted	Internally restricted	Invested in capital assets	2020 Total	2019 Total
Net assets, beginning of year	$ 52,186	$ 140,000	$ 33,842	$ 226,028	$ 182,372
Excess (deficiency) of revenue over expenses	148,937	-	(16,427)	132,510	43,656
Transfers:					
Purchases of capital assets	(6,307)	-	6,307	-	-
Operating contingency reserve (note 8)	(130,000)	130,000	-	-	-
Net assets, end of year	$ 64,816	$ 270,000	$ 23,722	$ 358,538	$ 226,028

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF VICTORIA CAPITAL REGION

Statement of Cash Flows

Year ended June 30, 2020, with comparative information for 2019

		2020		2019
Cash provided by (used in):				
Operations:				
Excess of revenue over expenses	$	132,510	$	43,656
Amortization of deferred capital contributions		(2,425)		(3,465)
Amortization of capital assets		18,852		20,981
		148,937		61,172
Changes in non-cash operating working capital:				
Accounts receivable		(146,962)		12,290
Prepaid expenses and deposits		803		(3,812)
Accounts payable and accrued liabilities		(86,845)		34,633
Deferred contributions		51,644		3,148
		(32,423)		107,431
Financing:				
Receipt of Canada Emergency Business Account loan		40,000		-
Investing:				
Purchase of capital assets		(6,307)		(36,615)
Increase in term deposit		(1,149)		(968)
		(7,456)		(37,583)
Increase in cash		121		69,848
Cash, beginning of year		463,595		393,747
Cash, end of year	$	463,716	$	463,595

See accompanying notes to financial statements.

Big Brothers Big Sisters of Victoria Capital Region (the "Society") is registered under the Societies Act of British Columbia and is a registered charity under the Income Tax Act.

The Society strives to recruit, screen and train volunteer mentors for children identified within the community who are vulnerable and in need of additional support. Mentored children have improved self-esteem, enhanced relationships within the classroom and community, improved social and academic development and increased ability to make healthy decisions. Risk and harm reduction is evident and the cost/benefit to community is significant. The intent is to spark a relationship that will endure while offering support and safety through a relationship based on friendship.

1. **Significant accounting policies:**

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

(a) Basis of presentation:

Operations reports revenue and expenses related to program delivery and administrative activities.

The social enterprise reports revenue and expenses related to the coordination and pick up of donated items. All of the funds raised through this social enterprise are invested in support for mentoring programs.

(b) Contributed materials and service:

Donated materials and services are recognized in the financial statements when a fair value can be reasonably established and when the materials and services are used in the normal course of operations and would otherwise have been purchased.

Volunteers contribute time and expertise across the Society's operations. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

1. Significant accounting policies (continued):

(c) Revenue recognition:

The Society follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the period in which the related expenses are incurred. 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.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a basis and rate corresponding with the amortization rate for the related capital asset.

(d) Capital assets:

Capital assets are recorded at cost. Contributions of capital assets are recorded at fair value at the date of contribution.

Amortization is provided over the estimated useful lives of the assets, using the following rates:

Asset	Basis	Rate
Vehicles	Straight-line	8 years
Furniture and fixtures	Declining balance	20%
Computer equipment	Declining balance	30%
Leasehold improvements	Straight-line	lesser of useful life and remaining lease term

When a capital asset no longer has any long-term service potential to the Society, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments quoted in an active market are subsequently measured at fair value and all changes in the fair value are recognized in operations in the period incurred. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has not elected to carry any such financial instruments at fair value.

1. **Significant accounting policies (continued):**

(e) Financial instruments (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

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 Society determines if 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 the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society 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.

(f) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

1. Significant accounting policies (continued):

(g) New accounting policies adopted during the year:

In March 2018, the Accounting Standards Board issued "Basis for Conclusions – Accounting Standards Improvements for Not-for-Profit Organizations", resulting in the introduction of three new handbook sections in the Accounting Standards for Not-for-Profit Organizations Part III of the CPA Handbook, which were effective July 1, 2019:

- Section 4433, *Tangible capital assets held by not-for-profit organizations*, which directs organizations to apply the accounting guidance of Section 3061, Property Plant and Equipment in Part II of the Handbook;
- Section 4434, *Intangible assets held by not-for-profit organizations*, which directs organizations to annually assess intangible assets, and where applicable to record an impairment expense should the net carrying value be higher than the asset's fair value or replacement cost; and
- Section 4441, *Collections held by not-for-profit organizations*, which defines a collection and directs organizations to record such assets on the statement of financial position at either cost or nominal value.

The adoption of these standards had no impact on the financial statements.

2. Term deposit:

Term deposit is a cashable guaranteed investment certificate bearing interest at 1.35% (2019 - 1.75%) and maturing on April 16, 2021. This term deposit has been assigned as security for the operating line of credit (note 4).

3. Capital assets:

2020		Cost		Accumulated amortization		Net book value
Vehicles	$	34,774	$	23,125	$	11,649
Furniture and fixtures		96,143		93,920		2,223
Computer equipment		114,104		98,594		15,510
Leasehold improvements		61,411		61,411		-
	$	306,432	$	277,050	$	29,382

2019		Cost		Accumulated amortization		Net book value
Vehicles	$	34,774	$	11,475	$	23,299
Furniture and fixtures		96,143		93,364		2,779
Computer equipment		107,796		91,947		15,849
Leasehold improvements		61,411		61,411		-
	$	300,124	$	258,197	$	41,927

4. Bank indebtedness:

The Society has an operating line of credit with a credit union with a maximum of $60,000. The operating line of credit bears interest, payable monthly, at a floating rate equal to the B.C. Central Credit Union Basic Rate and is secured by a term deposit (note 2). The rate as at June 30, 2020 was 2.45% (2019 - 3.95%). As at June 30, 2020, nil (2019 - nil) was drawn on the operating line of credit.

5. Deferred contributions:

Deferred contributions represent unspent resources that have been externally restricted for use in a specified program.

The changes for the year are as follows:

	2020	2019
Opening balance	$ 219,267	$ 216,119
Add amounts received:		
Community Gaming Grant	156,000	149,000
Other grants and contributions	172,250	136,488
Less amounts recognized as revenue in the year:		
Community Gaming Grant	(151,827)	(145,004)
Other grants and contributions	(124,779)	(137,336)
Closing balance	$ 270,911	$ 219,267

6. Deferred capital contributions:

The Society received a capital project gaming grant of $16,500 that was spent on computer equipment. Amortization of $2,426 (2019 - $3,465) has been recorded in revenue.

7. Canada Emergency Business Account loan:

In response to the COVID-19 pandemic, the Government of Canada launched the new Canada Emergency Business Account ("CEBA"). This program will provide up to $25 billion to eligible financial institutions so they can provide interest-free loans that are guaranteed and funded by the Government of Canada in the form of lines of credit of up to $40,000 to businesses with payrolls of less than $1 million. A quarter of the loan (up to $10,000) is eligible for complete forgiveness.

The Society received a CEBA loan from Island Savings on April 21, 2020. The loan matures on January 21, 2026. The loan proceeds are to be used for operating expenses that cannot be deferred, such as payroll, rent, utilities, insurance, debt payments and property taxes.

8. Internally restricted:

The Board of Directors of the Society has restricted $25,000 (2019 - $25,000) as an insurance reserve and $245,000 (2019 - $115,000) as an operating contingency reserve.

During the year, the Board of Directors approved the transfer of $130,000 from the unrestricted fund to the operating contingency reserve.

9. Commitments:

The Society is leasing its premises under a lease expiring May 31, 2023. Future minimum lease payments exclusive of occupancy costs will aggregate $144,524 (2019 - $191,705).

10. Grants and subsidies:

Grant and subsidy revenue by source is as follows:

		2020		2019
Federal government	$	-	$	3,036
School District #62		-		30,000
Municipal government		6,040		6,000
Non-government		178,559		115,353
Community Gaming Grant		151,827		145,004
	$	336,426	$	299,393

11. Financial risk management:

The Society's financial instruments include cash, term deposit, accounts receivable, accounts payable and accrued liabilities and loans.

It is management's opinion that the Society is not exposed to significant interest, currency or credit risks arising from its financial instruments. The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to risk exposures from 2019.

12. Economic dependence:

The Society operates a social enterprise from which it generated 54% (2019 - 70%) of its total revenue through sales of donated goods to a single organization. The sales contract is subject to review and renewal on December 31, 2021.

13. Government remittances payable:

Included in accounts payable and accrued liabilities are government remittances payable of $5,903 (2019 - $4,323) relating to payroll taxes, health taxes and workers' safety insurance.

14. Foundation Endowment Funds:

(a) Victoria Foundation:

In 2016 the Society transferred $7,500 to the Victoria Foundation to create an endowment fund, the Big Brothers Big Sisters of Victoria Fund, to be held and managed in perpetuity by the Victoria Foundation. These funds were matched by the Victoria Foundation. The fund market value at June 30, 2020 was $23,002 (2019 - $22,920). There have been no distributions received from the fund to date. Future distributions from the fund by the Victoria Foundation will be made in consultation with the Society and recorded as revenue.

(b) Vancouver Foundation:

In 1991 the Harry deSwager Big Brothers and Big Sisters of Victoria Bursary Fund was established at the Vancouver Foundation and, in accordance with the provisions of the Vancouver Foundation Act, the Fund is held permanently by the Vancouver Foundation.

The market value of the fund at June 30, 2020 was $20,955 (2019 - $21,527). Distributions from the fund are awarded as bursaries.

15. Employee and contractor remuneration:

The BC Societies Act came into effect on November 28, 2016. The Act has a requirement for the disclosure in the financial statements of the remuneration of directors, employees and contractors for financial statements prepared after November 28, 2016. For employee and contractor remuneration the requirement is to disclose amounts paid to individuals whose remuneration was greater than $75,000. For the fiscal year ending June 30, 2020, the Society paid remuneration of $94,169 to one employee (2019 - $94,169 to one employee). There were no remuneration payments made to directors during the year.

16. Impact of COVID-19:

Prior to the year-end, there was a global outbreak of a new strain of Coronavirus ("COVID-19") that prompted certain responses from government authorities. Such responses have included mandatory temporary closure of, or imposed limitations on, the operations of certain non-essential businesses. Global equity and capital markets have also experienced significant volatility and weakness. The Society's key customer for its social enterprise temporarily stopped receiving product, leading to a significant decline in revenue. Governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government's interventions. The Society has applied for and received the CEWS and CEBA.

The Society is taking direct action to lessen the risk of exposure to staff and community by following recommendations from Public Health officials by moving fully to a virtual office, restricting travel, moving place-based events to virtual, and implementing exemptions to in-person requirements for matches. The efforts to curb the spread of COVID-19 in Canada has had an impact on agency work in community to build and maintain strong mentor relationships between volunteers, young people and their families.

As the Society practices social distancing and refrains from congregating in large groups, various fundraising activities have been cancelled or postponed. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the operating results and financial position of the Society in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the operations is not known at this time.

In an effort to manage the impact of COVID-19 on the on-going operations, the Society has adjusted its workforce, continues to look for new sources of revenue and apply for government and other agency subsidies and grants.

BIG BROTHERS BIG SISTERS OF VICTORIA CAPITAL REGION

Statement of Operations | Schedule 1

Year ended June 30, 2019

	Operations	Social Enterprise	Total
Revenue:			
Social enterprise revenue	$ -	$ 1,220,408	$ 1,220,408
United Way contributions	56,179	-	56,179
Grants and subsidies (note 9)	299,393	-	299,393
Fundraising and donations	166,592	-	166,592
Interest and miscellaneous	2,067	316	2,383
Amortization of deferred capital contributions	3,465	-	3,465
	527,696	1,220,724	1,748,420
Expenses:			
Advertising and promotion	2,129	204	2,333
Amortization	10,000	10,981	20,981
Building occupancy	59,612	58,861	118,473
Dues	13,137	304	13,441
Fundraising and development	19,522	-	19,522
Office	16,113	24,900	41,013
Professional	5,402	13,971	19,373
Program/Partnerships	30,260	480,852	511,112
Truck operating and rental	-	60,308	60,308
Wages and personnel	480,929	417,279	898,208
	637,104	1,067,660	1,704,764
Excess (deficiency) of revenue over expenses	$ (109,408)	$ 153,064	$ 43,656