

**Big Brothers of Greater
Vancouver Foundation**
Financial Statements
For the year ended July 31, 2018
(Unaudited)

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ABERCROMBY MELNYCHUK

CHARTERED PROFESSIONAL ACCOUNTANTS

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Independent Practitioner's Review Engagement Report

To the Members of Big Brothers of Greater Vancouver Foundation

We have reviewed the accompanying financial statements of Big Brothers of Greater Vancouver Foundation that comprise the balance sheet as at July 31, 2018 and the statements of operations and changes in net assets and cash flows for the year then ended, and 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.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Independent Practitioner's Review Engagement Report

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Big Brothers of Greater Vancouver Foundation as at July 31, 2018, 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.

Abercromby Melnychuk

Chartered Professional Accountants

Surrey, British Columbia
November 26, 2018

Big Brothers of Greater Vancouver Foundation
Statement of Financial Position
(Unaudited)

July 31	2018	2017
Assets		
Current		
Cash	\$ 154,400	\$ 111,875
Accounts receivable	130,616	296,008
Prepaid expenses	33,351	35,272
	<u>318,367</u>	443,155
Portfolio investments (Note 1)	1,239,264	937,336
Capital assets (Note 2)	49,661	36,281
	<u>\$ 1,607,292</u>	<u>\$ 1,416,772</u>

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities	\$ 166,314	\$ 210,292
Unearned revenue	130,611	121,802
Salaries payable	29,991	130,844
	<u>326,916</u>	462,938
Deferred contributions (Note 4)	4,455	8,742
	<u>331,371</u>	471,680
Net Assets		
Unrestricted	<u>1,275,921</u>	945,092
	<u>\$ 1,607,292</u>	<u>\$ 1,416,772</u>

On behalf of the Board:

 _____ Director

 _____ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**Big Brothers of Greater Vancouver Foundation
Statement of Operations and Changes in Net Assets
(Unaudited)**

For the year ended July 31	2018	2017
Revenue (Schedule)		
Donations	\$ 2,574,429	\$ 2,038,937
Fundraising	698,547	794,788
Net investment (loss) income	<u>(214,972)</u>	<u>7,942</u>
	3,058,004	2,841,667
Expenditures (Schedule)		
Fundraising and development	584,643	710,290
General and administrative	<u>261,819</u>	<u>277,919</u>
	846,462	988,209
Excess of revenue over expenditures before other revenue	2,211,542	1,853,458
Other revenue		
Amortization of deferred contributions related to capital assets	<u>4,287</u>	<u>3,122</u>
Excess of revenue over expenditures before grants	2,215,829	1,856,580
Grants		
Big Brothers of Greater Vancouver	<u>1,885,000</u>	<u>1,880,000</u>
Excess (deficiency) of revenue over expenditures and grants for the year	330,829	(23,420)
Net Assets, beginning of year	<u>945,092</u>	<u>968,512</u>
Net Assets, end of year	\$ 1,275,921	\$ 945,092

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Big Brothers of Greater Vancouver Foundation Statement of Cash Flows (Unaudited)

For the year ended July 31	2018	2017
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenditures for the year	\$ 330,829	\$ (23,420)
Items not involving cash		
Amortization of capital assets	18,405	19,282
Amortization of deferred contributions related to capital assets	(4,287)	(3,122)
	<u>344,947</u>	<u>(7,260)</u>
Changes in non-cash working capital balances		
Accounts receivable	165,392	(170,606)
Prepaid expenses	1,921	(261)
Accounts payable and accrued liabilities	(43,978)	117,502
Unearned revenue	8,809	(26,600)
Salaries payable	(100,853)	86,508
	<u>31,291</u>	<u>6,543</u>
	<u>376,238</u>	<u>(717)</u>
Investing activities		
Purchase of capital assets	(31,785)	(16,846)
Increase in portfolio investments	(301,928)	(92)
	<u>(333,713)</u>	<u>(16,938)</u>
Financing activities		
Increase in deferred contributions related to capital assets	-	10,000
Increase (decrease) in cash during the year	42,525	(7,655)
Cash, beginning of year	111,875	119,530
Cash, end of year	\$ 154,400	\$ 111,875

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Big Brothers of Greater Vancouver Foundation Summary of Significant Accounting Policies (Unaudited)

July 31, 2018

Nature and Purpose of Foundation

Big Brothers of Greater Vancouver Foundation was incorporated on August 19, 1999 pursuant to the British Columbia Societies Act. The Foundation is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

The Foundation was founded for the purpose of providing support to children who need positive adult role models in their lives and to receive, steward and disburse resources in furtherance of this goal.

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Financial Instruments

The Foundation initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost except portfolio investments which are subsequently measured at fair value.

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

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and salaries payable.

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. 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 the statement of operations.

The Foundation recognizes its transaction costs in the statement of operations for the year 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 of Greater Vancouver Foundation Summary of Significant Accounting Policies (Unaudited)

July 31, 2018

Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided over the estimated useful lives of the assets using the declining balance basis and the following annual rates:

Asset	Rate
Computer hardware and software	30%, 55% and 100%
Furniture and equipment	20%
Leasehold improvements	20%

Revenue Recognition

The Foundation follows the deferral method of accounting for contributions. Restricted program funding is recorded as revenue in the period to which it relates. Where a portion of such restricted program funding relates to a future period, it is deferred and recognized in the subsequent period.

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. Unrestricted investment income is recognized as revenue when earned.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Fundraising revenue is recorded on a cash basis, with the exception of event registration, invoiced sponsorship commitments and auction item purchases, which are recorded on an accrual basis when collection is reasonably assured.

Donations-In-Kind

Donated "in-kind" materials are recorded at fair market value, when determinable, on receipt of the product and are recorded as revenue if the product would have been purchased by the Foundation in the normal course of operations. A corresponding "in-kind" expense is recorded at an equal amount.

Donations of "in-kind" near-cash items are recorded at fair market value when received and realizable and the corresponding asset is recorded at an equal amount.

The contribution of services by volunteers, which is a significant benefit to the Foundation in carrying out its programs, is not reflected in these financial statements due to the difficulty in determining its fair value.

Big Brothers of Greater Vancouver Foundation Summary of Significant Accounting Policies (Unaudited)

July 31, 2018

Foreign Currency Translation

The Foundation uses the temporal method to translate its foreign currency transactions.

Foreign currency accounts are translated into Canadian dollars as follows: At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in revenue in the current period.

Use of Estimates

The preparation of the 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 amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Allocation of Expenses

Expenditures in the Statement of Operations are recorded on an accrual basis and where applicable are charged to either Fundraising and Development Expenditures or General and Administrative Expenditures, according to the activity they benefit. None of the Foundation's Expenditures are allocated to other programs.

Big Brothers of Greater Vancouver Foundation Notes to Financial Statements (Unaudited)

July 31, 2018

1. Portfolio Investments

	2018	2017
Equity securities	\$ 406,195	\$ 289,277
Fixed income and other interest bearing securities	833,069	648,059
	\$ 1,239,264	\$ 937,336

2. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware and software	\$ 206,478	\$ 192,620	\$ 237,094	\$ 215,838
Furniture and equipment	76,963	49,194	50,538	45,555
Leasehold improvements	94,846	86,812	94,846	84,804
	\$ 378,287	\$ 328,626	\$ 382,478	\$ 346,197
Net book value		\$ 49,661		\$ 36,281

3. Bank Loan

The Foundation has a credit facility with a maximum borrowing limit of \$400,000. Advances under the facility are due on demand and bear interest at the bank's prime rate, calculated and payable monthly. The credit facility is secured by a general security agreement covering all assets of the Foundation with a specific pledge of portfolio investments. Borrowings are limited to the extent of security coverage provided by specific portfolio investments. No amounts have been advanced under the facility since June 2011 and no amounts are owing as at July 31, 2018.

Big Brothers of Greater Vancouver Foundation Notes to Financial Statements (Unaudited)

July 31, 2018

4. Deferred Contributions

Deferred contributions consist of the following:

Deferred contributions related to capital assets	\$	4,455		\$	8,742
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Deferred contributions related to the purchase of capital assets constitute restricted contributions and are amortized at the same rates applied to the amortization of the capital assets acquired with the contributions.

Changes in the deferred contributions for the year are as follows:

		2018		2017
Balance, beginning of year	\$	8,742	\$	1,864
Donations received		-		10,000
Amortization of deferred contributions related to capital assets		(4,287)		(3,122)
Balance, end of year	\$	4,455	\$	8,742

Big Brothers of Greater Vancouver Foundation Notes to Financial Statements (Unaudited)

July 31, 2018

5. Financial Instruments

Risks and Concentrations

The Foundation is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. Management is of the opinion that there was no significant change in risk exposures from the previous year. The following analysis provides a measure of the Foundation's risk exposure and concentrations at July 31, 2018:

Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices. The Foundation's portfolio investments expose the Foundation to market risks as equity and fixed income investments are subject to price changes in an open market.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation is exposed to foreign currency rate risk in connection with its portfolio investments. As at July 31, 2018, portfolio investments included \$138,326 (2017 - \$107,525) of US dollar investments which have been converted into Canadian dollars based on their fair market value at the exchange rate in effect at the year end date.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk through its floating rate bank loan, in the event that there are borrowings under the bank loan. Cash flows to service the bank loan will fluctuate as a result of changes in the market interest rate.

Big Brothers of Greater Vancouver Foundation Notes to Financial Statements (Unaudited)

July 31, 2018

6. Related Party Transactions

The Foundation had the following transactions with organizations considered related by common management:

	<u>2018</u>	<u>2017</u>
Renew Crew Foundation		
Donations received	<u>\$ 1,770,000</u>	<u>\$ 1,835,000</u>
Amounts received and offset against general and administrative expenditures	<u>\$ 106,164</u>	<u>\$ 138,979</u>
Amounts received and offset against fundraising and development expenditures	<u>\$ 27,192</u>	<u>\$ 35,485</u>
Big Brothers of Greater Vancouver		
Grants paid	<u>\$ 1,885,000</u>	<u>\$ 1,880,000</u>
Amounts received for general and administrative expenditures	<u>\$ 315,803</u>	<u>\$ 347,571</u>
Amounts received for fundraising and development expenditures	<u>\$ 124,077</u>	<u>\$ 95,729</u>
Amounts paid and offset against fundraising and development expenditures	<u>\$ 59,074</u>	<u>\$ 57,515</u>

These transactions were in the normal course of operations and were measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates their arm's length equivalent value.

Big Brothers of Greater Vancouver Foundation Notes to Financial Statements (Unaudited)

July 31, 2018

6. Related Party Transactions, continued

Amounts included in accounts receivable from the related parties arising from these transactions are as follows:

	2018	2017
Renew Crew Foundation	\$ 17,839	\$ 174,675
Big Brothers of Greater Vancouver	19,548	62,297
	\$ 37,387	\$ 236,972

Amounts included in accounts payable to the related parties arising from these transactions are as follows:

	2018	2017
Big Brothers of Greater Vancouver	\$ 123,002	\$ 180,000

During the year, a Director of Big Brothers of Greater Vancouver Foundation, directed to it as a qualified donee, 200,000 stock options in a publicly traded company with a fair market value of \$604,000.

7. Significantly Influenced Organization

As a result of certain common management activities, the Big Brothers of Greater Vancouver Foundation is considered to have significant influence over the operations of the Renew Crew Foundation. The nature and purpose of the Renew Crew Foundation is to receive and disburse resources to support activities and programs which are beneficial to the community. The Renew Crew Foundation currently collects used clothing and other items from the general public which it sells under contract to Value Village Stores, Inc. The Renew Crew Foundation was incorporated under the Canada Corporation's Act and is registered as an extraprovincial society under the British Columbia Societies Act. As a registered charity, the Renew Crew Foundation is exempt from income tax and may issue receipts for charitable donations. During the year the Renew Crew Foundation donated \$1,770,000 (2017 - \$1,835,000) to the Big Brothers of Greater Vancouver Foundation.

Big Brothers of Greater Vancouver Foundation Notes to Financial Statements (Unaudited)

July 31, 2018

8. Donations-In-Kind

Included in fundraising revenue and fundraising expenses are the estimated fair values of non-cash donations in the amount of \$93,249 (2017 - \$100,205).

Included in general donations is the estimated fair value of the non-cash donation of stock options in the amount of \$604,000 made by a related party as described in Note 6. This amount comprises the fair market value of the underlying shares at the exercisable date, less the option price. 100,000 of the stock options were exercised during the year and 100,000 of the stock options remained, included in portfolio investments, at the year end. The remaining stock options have an expiry date of September 14, 2027 and have been adjusted to their fair market value at the year end, resulting in a \$248,000 unrealized net investment loss. The net realized gain on this transaction for the year ended July 31, 2018 was \$339,600.

9. Director, Employee and Contractor Remuneration

Under the disclosure requirements of the British Columbia Societies Act, the Foundation must report the amount of remuneration paid to the ten highest paid employees where their remuneration, comprised of salaries and benefits, exceeds \$75,000. The Foundation operates using a shared service model with related organizations. Under this model, remuneration is allocated proportionately to the respective organization. If the remuneration allocated to the Foundation does not exceed \$75,000, the remuneration is not included in this note disclosure. There were no employees or contractors with remuneration in excess of \$75,000 during the year. There were no payments made to Directors in the year.

Big Brothers of Greater Vancouver Foundation Schedule of Revenue (Unaudited)

For the year ended July 31	2018	2017
Donations		
Renew Crew Foundation	\$ 1,770,000	\$ 1,835,000
General (Notes 6 and 8)	<u>804,429</u>	<u>203,937</u>
	\$ 2,574,429	\$ 2,038,937
Fundraising		
Bowl for Big Brothers	\$ 255,017	\$ 372,074
Shaughnessy Golf Open	<u>399,663</u>	<u>358,256</u>
Other initiatives	<u>43,867</u>	<u>64,458</u>
	\$ 698,547	\$ 794,788
Net investment (loss) income		
Dividends	\$ 7,717	\$ 6,891
Interest	<u>18,303</u>	<u>18,049</u>
Gain (loss) on portfolio investments	<u>18,278</u>	<u>(6,888)</u>
Fair market value adjustment on donated stock options (Note 8)	<u>(248,000)</u>	<u>-</u>
	(203,702)	18,052
Less: Investment management fees	<u>11,270</u>	<u>10,110</u>
	\$ (214,972)	\$ 7,942

Big Brothers of Greater Vancouver Foundation
Schedule of Expenditures
(Unaudited)

For the year ended July 31	2018	2017
Fundraising and development		
Bowl for Big Brothers	\$ 131,344	\$ 170,670
Shaughnessy Golf Open	207,793	209,109
Other initiatives	40,247	53,109
General	15,167	8,475
Marketing and communications	19,835	18,766
Salaries and employee benefits	170,257	250,161
	\$ 584,643	\$ 710,290
General and administrative		
Amortization	\$ 18,405	\$ 19,282
Computer support	23,038	8,381
Interest and bank charges	7,581	5,359
Occupancy	51,791	63,072
Office and miscellaneous	19,114	12,800
Professional fees	15,834	13,624
Salaries and employee benefits	124,913	150,124
Telephone	1,143	5,277
	\$ 261,819	\$ 277,919