

BIG BROTHERS BIG SISTERS OF WINNIPEG INC.

FINANCIAL STATEMENTS

MARCH 31, 2007

SCARROW & DONALD LLP
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

**To the Board of Directors of
Big Brothers Big Sisters of Winnipeg Inc.:**

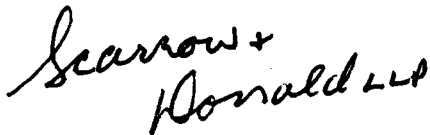
We have audited the statement of financial position of Big Brothers Big Sisters of Winnipeg Inc. as at March 31, 2007 and the statements of operations and changes in fund balances and cash flow for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Association derives part of its revenue from the public in the form of donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Association and we were not able to determine whether any adjustments might be necessary to other contributions, donations and fundraising, difference between revenue and expenses, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of donations and net fundraising revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures are based upon financial statements which were reported on by other auditors.



Chartered Accountants
Winnipeg, Canada

For this communication, together with the work done to prepare this communication and for the opinions we have formed, if any, we accept and assume responsibility only to the addressee of this communication, as specified in our letter of engagement.

BIG BROTHERS BIG SISTERS OF WINNIPEG INC.

STATEMENT OF FINANCIAL POSITION

	<u>March 31</u>	
	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash	\$ 66,636	\$ 27,007
Short term investments (Note 2)	134,237	127,559
Accounts receivable	80,072	93,925
Prepaid expenses	16,093	16,685
	<u>297,038</u>	<u>265,176</u>
Fixed assets (Note 3)	<u>61,119</u>	<u>43,953</u>
	<u>\$ 358,157</u>	<u>\$ 309,129</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 32,293	\$ 31,486
Current portion of deferred rent incentive	1,562	2,022
	<u>33,855</u>	<u>33,508</u>
Deferred contributions - Borger (Note 4)	17,952	17,790
Deferred contributions - Eva Burwash (Note 4)	79,653	78,932
Deferred contributions - Irene Waddell (Note 4)	14,314	14,181
Deferred contributions - fixed assets (Note 5)	39,056	14,036
Deferred rent incentive (Note 6)	12,566	-
	<u>197,396</u>	<u>158,447</u>
NET ASSETS		
Unappropriated fund:		
Invested in fixed assets	22,063	29,917
Unrestricted	-	1,695
	<u>22,063</u>	<u>31,612</u>
Appropriated fund:		
Future operations	119,070	119,070
Fixed assets	19,628	-
	<u>138,698</u>	<u>119,070</u>
	<u>160,761</u>	<u>150,682</u>
	<u>\$ 358,157</u>	<u>\$ 309,129</u>

APPROVED BY THE BOARD:

_____ **Director**

_____ **Director**

BIG BROTHERS BIG SISTERS OF WINNIPEG INC.

STATEMENT OF OPERATIONS

	Year ended March 31	
	<u>2007</u>	<u>2006</u>
Revenue:		
United Way of Winnipeg	\$ 225,804	\$ 221,350
Government of Manitoba	236,900	205,600
Foundation Contributions	141,500	70,000
Big Brothers Big Sisters of Canada	36,200	28,154
Government of Canada	47,078	-
(Ma Mawi Wi Chi Itata Centre) Winnipeg		
Partnership Agreement	-	17,400
Other contributions, donations and fundraising	130,130	153,509
Big Smiles	248,305	-
Amortization of deferred contributions	3,632	4,648
Amortization of deferred contributions - fixed assets	22,866	6,770
Miscellaneous revenue	4,664	1,627
	<u>1,097,079</u>	<u>709,058</u>
Expenses:		
Advertising and publicity	25,828	22,592
Amortization	38,554	13,604
Bank charges	594	1,034
Board expenses	985	1,347
Case worker expenses	3,526	2,742
Computer expense	4,907	2,406
Deferred contribution - fund expenses	3,632	4,648
Dues	13,090	10,840
Employee benefits	42,352	35,156
Insurance	5,314	3,734
Meetings and travel	28,138	22,650
Newsletter	7,611	8,898
Office supplies	21,604	17,531
Postage	4,796	4,850
Premises cleaning & supplies, parking & utilities	30,308	19,572
Professional fees	14,273	9,398
Recreation	21,022	13,407
Recruitments	8,601	17,038
Rent	71,664	26,735
Salaries	485,792	434,429
Staff development	15,913	4,843
Telephone	17,300	11,701
Volunteer recognition	3,198	2,272
Big Smiles expenses	211,511	-
Fundraising expenses	6,487	12,561
	<u>1,087,000</u>	<u>703,988</u>
Difference between revenue and expenses	<u>\$ 10,079</u>	<u>\$ 5,070</u>

BIG BROTHERS BIG SISTERS OF WINNIPEG INC.

STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31

	<u>Unappropriated Fund</u>		<u>Appropriated Fund</u>		
	<u>Unrestricted</u>	<u>Invested in Fixed Assets</u>	<u>Future Operations</u>	<u>Fixed Assets</u>	<u>2006 Total</u>
Net assets, beginning of year	\$ 1,695	\$ 29,917	\$ 119,070	\$ -	\$ 145,612
Difference between revenue and expenses	10,079	-	-	-	5,070
Amortization of capital assets	38,555	(38,555)	-	-	-
Amortization of deferred contributions	(22,866)	22,866	-	-	-
Purchase of fixed assets	(55,721)	55,721	-	-	-
Deferred contributions received for fixed assets	47,886	(47,886)	-	-	-
Interfund transfer (Note 9)	(19,628)	-	-	19,628	-
Net assets, end of year	\$ -	\$ 22,063	\$ 119,070	\$ 19,628	\$ 150,682

BIG BROTHERS BIG SISTERS OF WINNIPEG INC.

STATEMENT OF CASH FLOW

	Year ended March 31	
	<u>2007</u>	<u>2006</u>
Cash flow from operating activities:		
Difference between revenue and expenses	\$ 10,079	\$ 5,070
Receipt of deferred contributions	47,886	-
Items not affecting cash-		
Amortization of deferred contributions	(3,632)	(4,648)
Amortization of deferred contributions - fixed assets	(22,866)	(6,770)
Amortization of fixed assets	38,555	13,604
Amortization of deferred contributions-		
Future expenses	-	(40,000)
Change in deferred rent incentive	<u>12,106</u>	<u>(1,616)</u>
	82,128	(34,360)
Changes in non-cash operating working capital items	<u>15,252</u>	<u>(25,711)</u>
	97,380	(60,071)
Cash flow from investing activities:		
Fixed asset purchases	(55,721)	(4,094)
Interest payments on investment - deferred	4,648	4,090
Investments purchased	(70,492)	-
Proceeds on sale of investments	<u>63,814</u>	<u>57,156</u>
	<u>(57,751)</u>	<u>57,152</u>
Cash in cash	39,629	(2,919)
Cash beginning of year	<u>27,007</u>	<u>29,926</u>
Cash, end of year	<u>\$ 66,636</u>	<u>\$ 27,007</u>

BIG BROTHERS BIG SISTERS OF WINNIPEG INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2007

1. Nature of operations:

The Association has as its mission to provide children with mentors for friendship, support, and guidance. The Association is a registered charity incorporated under the laws of Manitoba and is exempt from income taxes under paragraph 149(1)(f) of the Income Tax Act.

2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. An assumption underlying the preparation of financial statements in accordance with Canadian generally accepted accounting principles is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The financial statements include the following significant accounting policies:

a) Unappropriated Fund-

The Unappropriated fund accounts for the Association's program delivery and administrative activities.

b) Appropriated fund-

The Appropriated Fund represents appropriations by the board from the Unappropriated Fund which are intended to be a reserve for future operating expenses.

c) Revenue recognition-

The Association 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 to be received can be reasonably estimated and collection is reasonably assured. Investment income on restricted contributions is recognized as revenue in the year in which the related expenses are incurred.

d) Short-term investments-

Short-term investments are carried at the lower of cost and market value and consist of a guaranteed investment certificate maturing June 30, 2008 and an interest bearing money market fund. Interest rates vary between 3 and 4%.

e) Fixed assets-

Fixed assets are recorded at cost and are amortized over their expected useful lives on straight-line basis at the following rates:

Computer equipment	2 years
Office furniture and equipment	3 - 5 years
Signage	10 years

Leasehold improvements are amortized on a straight-line basis over the term of the lease. Assets purchased prior to the current year are amortized on a declining balance basis. Subsequent additions are amortized on a straight line basis.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2007

2. Significant accounting policies (cont'd):

f) Financial instruments-

Financial instruments include cash, short-term investments, accounts receivable and accounts payable and accrued liabilities.

Management has estimated that the fair value of cash, accounts receivable and accounts payable and accrued liabilities approximates their carrying value because of the short maturity of those instruments. The market value of short-term investments is \$134,237 (2006 - \$131,565).

Fair value is an estimate of the amount at which items might be exchanged in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act. Fair value should not be interpreted as an amount that could be realized in immediate settlement of the instruments. Fair value is estimated based on market information available to the Association.

g) Estimates-

Accounting estimates are included in financial statements to approximate the effect of past business transactions or events, or to approximate the present status of an asset or liability. Examples include the allowance for doubtful accounts, loss provisions and the estimated useful life of an asset. It is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates. Should an adjustment become necessary, it would be reported in earnings in the period in which it became known.

3. Fixed assets:

	<u>2007</u>		<u>2006</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Computer equipment	\$ 8,643	\$ 2,161	\$ 33,575	\$ 27,106
Office furniture	24,662	12,121	42,104	29,639
Signage	23,093	10,609	23,093	8,299
Leasehold improvements	<u>36,192</u>	<u>6,580</u>	<u>39,464</u>	<u>29,239</u>
	<u>\$ 92,590</u>	<u>\$ 31,471</u>	<u>\$ 138,236</u>	<u>\$ 94,283</u>
Net book value		<u>\$61,119</u>		<u>\$43,953</u>

At the end of each accounting period management considers whether there has been a permanent impairment in the value of property and equipment by estimating the net recoverable amount of the unamortized portion. During the year, after an evaluation of the useful life of certain assets, \$23,005 of fixed assets were written down due to their obsolescence. The adjustment has been included in amortization expense for the year.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2007

4. Deferred contributions:

Deferred contributions reported in the Unappropriated Fund include the unspent amount of restricted contributions for future expenses. Changes in the deferred contributions are as follows:

Borger:

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 17,790	\$ 18,348
Interest earned on related assets	745	672
Amounts amortized to revenue	<u>(583)</u>	<u>(1,230)</u>
Balance, end of year	<u>\$ 17,952</u>	<u>\$ 17,790</u>

The principal balance of the Borger contribution is designated to be used in recreational activities at the discretion of the Board.

Eva Burwash:

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 78,932	\$ 78,932
Interest earned on related assets	3,308	2,900
Amounts amortized to revenue	<u>(2,587)</u>	<u>(2,900)</u>
Balance, end of year	<u>\$ 79,653</u>	<u>\$ 78,932</u>

The principal balance of the Eva Burwash contribution is designated by the donor for the use of the Association. Expenditures of the principal are determined at the discretion of the Board. Income from the investments may be distributed at the discretion of the Board.

Irene Waddell:

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 14,181	\$ 14,181
Interest earned on related assets	595	518
Amounts amortized to revenue	<u>(462)</u>	<u>(518)</u>
Balance, end of year	<u>\$ 14,314</u>	<u>\$ 14,181</u>

The continuing bequest by the niece of Irene Waddell designates that the funds be used to benefit the physical, mental, and spiritual well-being of girls, as well as for the recruitment of Big Sister volunteers. Income from the investments may be distributed at the discretion of the Board.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2007

5. Deferred contributions - fixed assets:

Deferred contributions - fixed assets include the unamortized portions and the unspent amount of restricted contributions for the purchase of fixed assets for program costs. The amortization of deferred contributions is recorded as revenue in the statement of operations. Changes in the deferred contributions - fixed assets balance are as follows:

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 14,036	\$ 20,806
Contributions	47,886	-
Amounts amortized to revenue	<u>(22,866)</u>	<u>(6,770)</u>
Balance, end of year	<u>\$ 39,056</u>	<u>\$ 14,036</u>

During the year, after an evaluation of the useful lives of certain assets, \$14,036 of deferred contributions were written down due to the related write-down of fixed assets. The adjustment has been included in amortization of deferred contributions - fixed assets for the year.

6. Deferred rent incentive:

During the year, the Association entered into a new lease agreement which included a rent-free period in the first year of the lease with subsequent incremental rate increases in future years as a lease incentive. Canadian generally accepted accounting principles require that these benefits be recognized over the term of lease. Accordingly, the Association has recognized a deferred rent incentive which will be adjusted each period to correspond to the average rent each year over the term of the lease.

7. Commitments:

The Association leases its office and certain operational equipment under operating leases. Future minimum payments under these commitments are as follows:

2008	\$ 82,599
2009	83,018
2010	81,616
2011	65,597
2012	47,787

8. Interfund transfer:

During the year, the Board of Directors authorized the transfer of \$19,628 from the Unappropriated Fund to the Appropriated Fund for fixed assets. In 2006, the Board of Directors authorized the transfer of \$5,070 from the Unappropriated Fund to the Appropriated Fund for future operations.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2007

9. Comparative figures:

Certain of the 2006 comparative figures have been reclassified to conform with the current years financial statement presentation.

10. Prior period adjustment:

The Association had previously been reporting income in externally restricted funds outside of the Unappropriated Fund while not recognizing revenue according to the restricted fund method. Adjustments were made to recognize income previously recorded inside the restricted funds to the Unappropriated Fund and the specified funds have been adjusted to deferred contributions on the Statement of Financial Position to comply with the deferral method of revenue recognition.

The comparative figures have been restated to reflect the following adjustments:

Statement of Operations

	<u>As previously reported</u>	<u>Adjustment</u>	<u>As reported</u>
Amortization of deferred contributions	\$ 4,090	\$ 558	\$ 4,648

Statement of Cash Flow

	<u>As previously reported</u>	<u>Adjustment</u>	<u>As reported</u>
Amortization of deferred contributions	\$ -	\$ (4,648)	\$ (4,648)
Interest payments on investments - deferred	-	4,090	4,090