

**CITY KIDZ MINISTRY**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**



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## INDEPENDENT AUDITORS' REPORT

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To the Directors of  
City Kidz Ministry:

*Report on the Financial Statements*

We have audited the accompanying financial statements of City Kidz Ministry, which comprise the statement of financial position as at December 31, 2011, and the statements of operations, changes in fund balances 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 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.



**TAYLOR LEIBOW<sub>LLP</sub>**  
ACCOUNTANTS AND ADVISORS

AN INDEPENDENT MEMBER OF DFK INTERNATIONAL

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## INDEPENDENT AUDITORS' REPORT (CONTINUED)

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### *Basis for Qualified Opinion*

In common with many charitable organizations, the Organization derives revenue from donations the completeness of which is not susceptible of 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 donation revenues, excess of revenue over expenses, current assets and fund balances.

### *Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of City Kidz Ministry as at December 31, 2011, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

*Taylor Leibow LLP*

**CHARTERED ACCOUNTANTS**  
**Licensed Public Accountants**

Hamilton, Ontario  
May 24, 2012

**CITY KIDZ MINISTRY**  
**STATEMENT OF FINANCIAL POSITION**

*As at December 31*

	General Fund \$	Capital Asset Fund \$	2011 Total \$	2010 Total \$
<b>ASSETS</b>				
CURRENT				
Cash	610,076	-	610,076	445,911
Short-term investments (Note 4)	92,566	-	92,566	51,683
Accounts receivable	27,109	-	27,109	18,230
Prepaid expenses	3,799	-	3,799	9,080
	<b>733,550</b>	<b>-</b>	<b>733,550</b>	<b>524,904</b>
CAPITAL ASSETS (Note 5)	-	360,345	360,345	291,973
	<b>733,550</b>	<b>360,345</b>	<b>1,093,895</b>	<b>816,877</b>
<b>LIABILITIES</b>				
CURRENT				
Accounts payable	39,559	-	39,559	37,646
Current portion of mortgage payable	-	-	-	12,431
	<b>39,559</b>	<b>-</b>	<b>39,559</b>	<b>50,077</b>
MORTGAGE PAYABLE	-	-	-	44,526
DEFERRED CONTRIBUTIONS (Note 6)	17,646	-	17,646	29,708
	<b>57,205</b>	<b>-</b>	<b>57,205</b>	<b>124,311</b>
<b>FUND BALANCES</b>				
INVESTED IN CAPITAL ASSETS	-	360,345	360,345	235,016
UNRESTRICTED	676,345	-	676,345	457,550
	<b>676,345</b>	<b>360,345</b>	<b>1,036,690</b>	<b>692,566</b>
	<b>733,550</b>	<b>360,345</b>	<b>1,093,895</b>	<b>816,877</b>

*(See accompanying Notes to Financial Statements)*

**APPROVED ON BEHALF OF THE BOARD:**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

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**CITY KIDZ MINISTRY****STATEMENT OF CHANGES IN FUND BALANCES***Year ended December 31*

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	<b>General Fund \$</b>	<b>Capital Asset Fund \$</b>	<b>2011 Total \$</b>	<b>2010 Total \$</b>
Fund balances, beginning of year	<b>457,550</b>	<b>235,016</b>	<b>692,566</b>	611,494
Excess (deficiency) of revenues over expenses	<b>339,251</b>	<b>4,873</b>	<b>344,124</b>	81,072
Interfund transfers <i>(Note 7)</i>	<b>(120,456)</b>	<b>120,456</b>	-	-
Fund balances, end of year	<b>676,345</b>	<b>360,345</b>	<b>1,036,690</b>	692,566

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*(See accompanying Notes to Financial Statements)*

**CITY KIDZ MINISTRY**  
**STATEMENT OF OPERATIONS**

*Year ended December 31*

	General Fund \$	Capital Asset Fund \$	2011 Total \$	2010 Total \$
<b>REVENUES</b>				
Donations <i>(Note 8)</i>	1,662,912	67,096	1,730,008	1,302,686
Fundraising events	83,952	-	83,952	105,187
Grant income	102,235	-	102,235	94,522
Interest income	916	-	916	437
Gain on disposal of capital assets	-	3,414	3,414	-
	<b>1,850,015</b>	<b>70,510</b>	<b>1,920,525</b>	<b>1,502,832</b>
<b>EXPENSES</b>				
Advocacy and awareness	22,410	-	22,410	27,117
Amortization	-	61,465	61,465	36,316
Audio visual	698	-	698	358
Bank charges and interest	14,671	-	14,671	13,188
Building operations	94,709	-	94,709	45,877
Bus ministry	86,685	-	86,685	72,618
Fundraising	125,609	-	125,609	110,655
Gifts to other charities	50,915	-	50,915	51,039
Insurance	19,459	-	19,459	17,052
Mortgage interest	-	4,172	4,172	5,601
Office and general	81,197	-	81,197	73,634
Professional fees	39,719	-	39,719	23,164
Program	157,899	-	157,899	185,771
Rent	63,157	-	63,157	46,980
Telecommunication	30,743	-	30,743	24,505
Vehicle	16,293	-	16,293	12,570
Wages and benefits	706,600	-	706,600	675,315
	<b>1,510,764</b>	<b>65,637</b>	<b>1,576,401</b>	<b>1,421,760</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>339,251</b>	<b>4,873</b>	<b>344,124</b>	<b>81,072</b>

*(See accompanying Notes to Financial Statements)*

**CITY KIDZ MINISTRY**  
**STATEMENT OF CASH FLOWS**

*Year ended December 31*

	General Fund \$	Capital Asset Fund \$	2011 Total \$	2010 Total \$
<b>CASH PROVIDED BY (USED IN):</b>				
OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	339,251	4,873	344,124	81,072
Items not involving cash:				
Amortization	-	61,465	61,465	36,316
Gain on disposal of capital assets	-	(3,414)	(3,414)	-
	339,251	62,924	402,175	117,388
Changes in non-cash working capital <i>(Note 9)</i>	(1,685)	-	(1,685)	8,819
	337,566	62,924	400,490	126,207
FINANCING ACTIVITIES				
Repayment of mortgage payable	-	(56,957)	(56,957)	(20,105)
Decrease in deferred contributions	(12,062)	-	(12,062)	(18,651)
	(12,062)	(56,957)	(69,019)	(38,756)
INVESTING ACTIVITIES				
Increase in short-term investments	(40,883)	-	(40,883)	(433)
Proceeds on disposal of capital assets	-	5,600	5,600	-
Purchase of capital assets	-	(64,927)	(64,927)	(45,141)
Donated capital assets	-	(67,096)	(67,096)	-
	(40,883)	(126,423)	(167,306)	(45,574)
INCREASE (DECREASE) IN CASH	284,621	(120,456)	164,165	41,877
CASH, BEGINNING OF YEAR	445,911	-	445,911	404,034
INTERFUND TRANSFERS	(120,456)	120,456	-	-
CASH, END OF YEAR	610,076	-	610,076	445,911

*(See accompanying Notes to Financial Statements)*

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## CITY KIDZ MINISTRY

### NOTES TO FINANCIAL STATEMENTS

*Year ended December 31, 2011*

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#### 1. PURPOSE OF THE ORGANIZATION

City Kidz Ministry is a regional organization which meets special needs of the community through operating a child focused organization which reaches over 2,200 children and youth each week. Programs include weekly home visits, two fast paced, values based programs – one for children aged 3, 4 and 5 and the other for children aged 6 to 11, and a youth leadership program for adolescents aged 12 to 15. Additional projects include activities such as Summer to Remember, Operation Birthday Child and Gift of Christmas. City Kidz Ministry operates in Hamilton, Regina and Ottawa.

City Kidz Ministry is incorporated without share capital under the Ontario Business Corporations Act as a not-for-profit organization and is a Canadian registered charity under the Income Tax Act and is exempt from income taxes.

#### 2. BRANCHES

In addition to its original operations in Hamilton, the Organization has two additional branches operating in Regina and Ottawa which are included in the financial statements. These branches are responsible for generating donations in order to fund their operations. Included in donation revenues are donations received of \$57,989 (2010 - \$34,739) and \$16,717 (2010 - \$5,525) for Regina and Ottawa, respectively. Additionally, the related expenses for Regina and Ottawa are \$52,999 (2010 - \$21,016) and \$9,360 (2010 - \$2,891), respectively.

#### 3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles applied on a basis consistent with prior years and include the following significant accounting policies:

##### 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, liabilities, revenues and expenses of the reporting period and disclosure of contingent assets and liabilities at the date of the financial statements. Significant areas requiring the use of management estimates include amortization and fair value of financial instruments. Actual results could differ from those estimates.

##### FINANCIAL ASSETS AND LIABILITIES

The following is a summary of the accounting model the Organization has elected to apply to each of its significant categories of financial instruments outstanding at December 31, 2011:

Cash	- Held for trading
Short-term investments	- Held for trading
Accounts receivable	- Loans and receivables
Accounts payable	- Other financial liabilities



**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

## FINANCIAL ASSETS AND LIABILITIES (Continued)

On initial recognition, all financial assets and liabilities are measured and recognized at fair value. Financial assets and liabilities are then measured and recognized as follows:

*Financial assets held for trading*

Financial assets held for trading are measured at fair value and any changes in fair value are recognized in excess of revenues over expenses. Changes in fair value recognized in excess of revenues over expenses include interest income, realized and unrealized gains (losses) and are presented under interest income.

*Loans and receivables and other financial liabilities*

Loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method (including and impairment for financial assets). Interest calculated using the effective interest method is presented in excess of revenues over expenses under interest income or mortgage interest expense, as appropriate.

## FUND ACCOUNTING

City Kidz Ministry follows the restricted fund method of accounting for contributions.

The General Fund accounts for the Organization's program delivery and administrative activities. This fund reports unrestricted and restricted operating resources.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the Organization's capital assets.

## CAPITAL ASSETS AND AMORTIZATION

Purchased capital assets are recorded at cost and contributed capital assets are recorded at fair value at the date of contribution. An impairment loss is recognized when the carrying amount of these assets is not recoverable and exceeds their fair value. The Organization provides for amortization using the diminishing balance method at rates designed to amortize the cost of the capital assets over its estimated useful life. The annual amortization rates are as follows:

Building	2.5%
Furniture and fixtures	30%
Office equipment	30%
Audio video equipment	30%
Automotive equipment	30%
Boiler	30%
Leasehold improvements	20%

**CITY KIDZ MINISTRY**  
**NOTES TO FINANCIAL STATEMENTS**

*Year ended December 31, 2011*

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

REVENUE RECOGNITION

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

CONTRIBUTED SERVICES AND MATERIALS

Volunteers contribute their time during the year to assist City Kidz Ministry in carrying out its service delivery activities. However, because of the difficulty in determining the exact number of volunteer hours and their fair value, contributed services are not recognized in the financial statements.

Contributed materials used in the normal course of operations that would have been purchased are recorded at their fair value at the date of contribution and are included in donations revenue.

**4. SHORT-TERM INVESTMENTS**

At year-end, short-term investments, comprised of investments in two Canadian money market mutual funds, which are recorded at their market value.

**5. CAPITAL ASSETS**

	2011			2010
	Cost	Accumulated	Net	Net
	\$	\$	\$	\$
Land	38,040	-	38,040	38,040
Building	227,956	51,065	176,891	182,362
Furniture and fixtures	61,166	17,505	43,661	1,261
Office equipment	90,071	72,075	17,996	22,459
Audio video equipment	122,615	78,867	43,748	36,179
Automotive equipment	47,059	29,930	17,129	10,826
Boiler	14,681	14,089	592	846
Leasehold improvements	27,860	5,572	22,288	-
	<b>629,448</b>	<b>269,103</b>	<b>360,345</b>	<b>291,973</b>

**CITY KIDZ MINISTRY**  
**NOTES TO FINANCIAL STATEMENTS**

*Year ended December 31, 2011*

**6. DEFERRED CONTRIBUTIONS**

Deferred contributions represents funding received in the current year or prior year that are related to the subsequent year. The changes in deferred contributions are as follows:

	2011 \$	2010 \$
Beginning balance	29,708	48,359
Add: Restricted amounts received during the year	60,450	79,150
Less: Amounts recognized as revenue in the year	(72,512)	(97,801)
Ending balance	17,646	29,708

**7. INTERNALLY RESTRICTED NET ASSETS AND INTERFUND TRANSFERS**

City Kidz Ministry's Board of Directors has internally restricted 13% of the Organization's non-designated revenues to be set aside for gifts to other charities. All amounts designated for gifts to other charities were spent at December 31, 2011.

During 2011, \$120,456 (2010 - \$70,847) was internally transferred from the General Fund to the Capital Asset Fund in order to fund the cash outlays for capital asset acquisitions, mortgage principal repayments, and mortgage interest.

**8. DONATIONS**

Donation revenue of the General Fund and the Capital Asset Fund includes contributed materials having a fair value of \$67,019 and \$67,096 respectively (2010 - \$73,292 and \$Nil).

**9. CHANGES IN NON-CASH WORKING CAPITAL**

	2011 \$	2010 \$
Accounts receivable	(8,879)	(12,501)
Prepaid expenses	5,281	6,964
Accounts payable	1,913	14,356
	(1,685)	8,819

Included in cash flows from operating activities is the following amount:

	2011 \$	2010 \$
Interest paid	4,172	5,601

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**CITY KIDZ MINISTRY**  
**NOTES TO FINANCIAL STATEMENTS**

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*Year ended December 31, 2011*

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**10. COMMITMENTS**

At December 31, 2011, future payments in respect of all operating leases were as follows:

	<b>\$</b>
2012	82,000
2013	73,000
2014	69,000
2015	61,000
2016	40,000
	<b>325,000</b>

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**11. CAPITAL DISCLOSURES**

For its own purposes, the Organization defines capital as the sum of mortgage payable and fund balances. There are no externally imposed requirements on capital.

The Organization's capital is calculated as follows:

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Mortgage payable	-	56,958
Fund balances		
Invested in capital assets	<b>360,345</b>	235,016
Unrestricted	<b>676,345</b>	457,550
	<b>1,036,690</b>	692,566
Total capital	<b>1,036,690</b>	749,524

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The Organization's objectives when managing capital are to match generally the structure of its capital to the underlying nature and term of the assets being financed, and to hold sufficient cash to enable it to withstand negative unexpected financial events, in order to maintain stability in the financial structure. The Organization seeks to minimize the exposure to financial leverage and variable rate financial obligations and to maintain sufficient liquidity and short term borrowing capacity to enable it to meet its obligations as they become due.