

**CITY KIDZ MINISTRY**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2013**



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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, 2013, 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 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.

*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** LLP  
ACCOUNTANTS AND ADVISORS

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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, and cash flows from operations for the year ended December 31, 2013, current assets as at December 31, 2013 and fund balances as at December 31, 2013.

### *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, 2013, 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.

*Taylor Leibow LLP*

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

Hamilton, Ontario  
June 18, 2014

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

*As at December 31*

	General Fund \$	Capital Asset Fund \$	2013 Total \$	2012 Total \$
<b>ASSETS</b>				
CURRENT				
Cash	536,209	-	536,209	601,613
Short-term investments <i>(Note 4)</i>	96,521	-	96,521	95,326
Accounts receivable	28,584	-	28,584	17,041
Prepaid expenses	7,339	-	7,339	3,239
	<b>668,653</b>	<b>-</b>	<b>668,653</b>	<b>717,219</b>
CAPITAL ASSETS <i>(Note 5)</i>	-	410,150	410,150	379,296
	<b>668,653</b>	<b>410,150</b>	<b>1,078,803</b>	<b>1,096,515</b>
<b>LIABILITIES</b>				
CURRENT				
Accounts payable <i>(Note 6)</i>	50,796	-	50,796	40,991
DEFERRED CONTRIBUTIONS <i>(Note 7)</i>	33,823	-	33,823	53,900
	<b>84,619</b>	<b>-</b>	<b>84,619</b>	<b>94,891</b>
<b>FUND BALANCES</b>				
INVESTED IN CAPITAL ASSETS	-	410,150	410,150	386,856
INTERNALLY RESTRICTED <i>(Note 8)</i>	24,984	-	24,984	36,496
UNRESTRICTED	559,050	-	559,050	578,272
	<b>584,034</b>	<b>410,150</b>	<b>994,184</b>	<b>1,001,624</b>
	<b>668,653</b>	<b>410,150</b>	<b>1,078,803</b>	<b>1,096,515</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**

			<i>Year ended December 31</i>	
	<b>General Fund \$</b>	<b>Capital Asset Fund \$</b>	<b>2013 Total \$</b>	<b>2012 Total \$</b>
Fund balances, beginning of year	<b>614,768</b>	<b>386,856</b>	<b>1,001,624</b>	1,036,690
Excess (deficiency) of revenues over expenses	<b>17,731</b>	<b>(11,977)</b>	<b>5,754</b>	(35,066)
Interfund transfers <i>(Note 8)</i>	<b>(41,068)</b>	<b>41,068</b>	-	
Fund balances transferred to branches <i>(Note 2)</i>	<b>(7,397)</b>	<b>(5,797)</b>	<b>(13,194)</b>	-
Fund balances, end of year	<b>584,034</b>	<b>410,150</b>	<b>994,184</b>	1,001,624

*(See accompanying Notes to Financial Statements)*

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

*Year ended December 31*

	General Fund \$	Capital Asset Fund \$	2013 Total \$	2012 Total \$
<b>REVENUES</b>				
Donations <i>(Note 9)</i>	1,199,907	24,037	1,223,944	1,259,166
Fundraising events	111,661	-	111,661	76,457
Grant income	223,027	20,000	243,027	174,491
Interest income	1,119	-	1,119	1,184
Gain on disposal of capital assets	-	3,174	3,174	4,873
Legacy giving	7,500	-	7,500	72,526
Miscellaneous income	2,000	-	2,000	-
	<b>1,545,214</b>	<b>47,211</b>	<b>1,592,425</b>	<b>1,588,697</b>
<b>EXPENSES</b>				
Advocacy and awareness	15,190	-	15,190	23,693
Amortization	-	59,188	59,188	54,192
Bank charges and interest	13,462	-	13,462	12,789
Building operations	77,312	-	77,312	81,793
Bus ministry	100,129	-	100,129	84,033
Fundraising and donation appeals	169,061	-	169,061	141,303
Gifts to other charities <i>(Note 10)</i>	63,375	-	63,375	73,309
Insurance	21,113	-	21,113	17,370
Office and general	79,816	-	79,816	78,558
Professional fees	45,419	-	45,419	40,397
Program	120,547	-	120,547	147,117
Rent	62,419	-	62,419	62,419
Telecommunication	16,820	-	16,820	20,593
Vehicle	12,852	-	12,852	14,089
Wages and benefits	729,968	-	729,968	756,126
	<b>1,527,483</b>	<b>59,188</b>	<b>1,586,671</b>	<b>1,607,781</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES RELATED TO OPERATIONS	<b>17,731</b>	<b>(11,977)</b>	<b>5,754</b>	<b>(19,084)</b>
BRANCHES <i>(Note 2)</i>	-	-	-	(15,982)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<b>17,731</b>	<b>(11,977)</b>	<b>5,754</b>	<b>(35,066)</b>

*(See accompanying Notes to Financial Statements)*

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

*Year ended December 31*

	<b>General Fund \$</b>	<b>Capital Asset Fund \$</b>	<b>2013 Total \$</b>	<b>2012 Total \$</b>
<b>CASH PROVIDED BY (USED IN):</b>				
<b>OPERATING ACTIVITIES</b>				
Excess (deficiency) of revenues over expenses	17,731	(11,977)	5,754	(35,066)
Items not involving cash:				
Amortization	-	59,188	59,188	54,192
Gain on disposal of capital assets	-	(3,174)	(3,174)	(4,873)
	<b>17,731</b>	<b>44,037</b>	<b>61,768</b>	<b>14,253</b>
Changes in non-cash working capital <i>(Note 11)</i>	(5,838)	-	(5,838)	12,060
	<b>11,893</b>	<b>44,037</b>	<b>55,930</b>	<b>26,313</b>
<b>FINANCING ACTIVITIES</b>				
Increase (decrease) in deferred contributions	(20,077)	-	(20,077)	36,254
Fund balances transferred to branches	(7,397)	(5,797)	(13,194)	-
	<b>(27,474)</b>	<b>(5,797)</b>	<b>(33,271)</b>	<b>36,254</b>
<b>INVESTING ACTIVITIES</b>				
Increase in short-term investments	(1,195)	-	(1,195)	(2,760)
Proceeds on disposal of capital assets	-	3,550	3,550	5,600
Purchase of capital assets	-	(96,215)	(96,215)	(70,970)
Transfer of capital assets to branches	-	5,797	5,797	-
Donated capital assets	-	-	-	(2,900)
	<b>(1,195)</b>	<b>(86,868)</b>	<b>(88,063)</b>	<b>(71,030)</b>
DECREASE IN CASH	(16,776)	(48,628)	(65,404)	(8,463)
CASH, BEGINNING OF YEAR	594,053	7,560	601,613	610,076
INTERFUND TRANSFERS	(41,068)	41,068	-	-
CASH, END OF YEAR	<b>536,209</b>	<b>-</b>	<b>536,209</b>	<b>601,613</b>

*(See accompanying Notes to Financial Statements)*

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

*Year ended December 31, 2013*

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**1. PURPOSE OF THE ORGANIZATION**

The mission of City Kidz Ministry is to increase resiliency and inspire big dreams for Canadian children living in low-income communities by providing inspirational experiences and nurturing personal relationships, one child at a time. We address this mission through child focused programs which impact over 2400 children each week in Hamilton alone! These programs include weekly home visits to every one of the 2400 children on our active roster and three additional fast paced, values based programs – one for children aged 3 to 5, another for children aged 6 to 11 and the third for children aged 12 to 16. Additional “projects” which support our mission include activities such as Summer to Remember, Operation Birthday Child and Gift of Christmas.

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**

During the year, the Organization's branches operating in Regina and Ottawa obtained a separate charitable status and are governed by an independent Board of Directors. Therefore, the activity related to these branches were no longer included in the financial statements of the Organization for the year ended December 31, 2013. The prior year figures on the statement of operations have been adjusted to reflect this change for comparative purposes. The prior year's balance of (\$15,982) is comprised of donations received of \$50,722 less expenses of \$66,704 related to these branches.

The fund balances belonging to the branches that were transferred during the year totalled \$13,194.

**3. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

**FINANCIAL INSTRUMENTS***Measurement of financial instruments*

The Organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

The Organization subsequently measures its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, short-term investments and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable.



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

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*Year ended December 31, 2013*

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

FINANCIAL INSTRUMENTS (Continued)

*Impairment*

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write down reflects the difference between the carrying amount and the higher of:

- the present value of the cash flows expected to be generated by the asset or group of assets;
- the amount that could be realized by selling the assets or group of assets;
- the net realizable value of any collateral held to secure repayment of the assets or group of assets.

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment.

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 a capital asset no longer has any long-term service potential to the Organization. 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%

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.

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

*Year ended December 31, 2013*

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

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 are comprised of investments in two Canadian money market mutual funds.

**5. CAPITAL ASSETS**

	2013			2012
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Land	38,040	-	38,040	38,040
Building	299,096	65,167	233,929	222,039
Furniture and fixtures	58,499	38,361	20,138	31,677
Office equipment	97,566	84,445	13,121	15,741
Audio video equipment	129,271	103,688	25,583	35,591
Automotive equipment	62,683	40,715	21,968	19,078
Boiler	15,785	14,723	1,062	414
Leasehold improvements	84,316	28,007	56,309	16,716
	<b>785,256</b>	<b>375,106</b>	<b>410,150</b>	<b>379,296</b>

**6. ACCOUNTS PAYABLE**

Included in the balance of accounts payable are other government remittances totaling \$15,643 (2012 - \$17,659).

Also included in the balance of accounts payable is \$7,040 (2012 - \$Nil) payable to branches operating in Regina and Ottawa. This balance represents the unspent funding received on their behalf.

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

*Year ended December 31, 2013*

**7. DEFERRED CONTRIBUTIONS**

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

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Beginning balance	<b>53,900</b>	17,646
Add: Restricted amounts received during the year	<b>199,450</b>	158,250
Less: Amounts recognized as revenue in the year	<b>(219,527)</b>	(121,996)
Ending balance	<b>33,823</b>	53,900

**8. 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. Amounts designated for gifts to other charities of \$24,984 were unspent at December 31, 2013.

During 2013, \$41,068 (2012 - \$63,870) was internally transferred from the General Fund to the Capital Asset Fund in order to fund the cash outlays for capital asset acquisitions.

**9. DONATIONS**

Donation revenue of the General Fund and the Capital Asset Fund includes contributed materials having a fair value of \$36,951 and \$NIL respectively (2012 - \$50,991 and \$2,900).

**10. GIFTS TO OTHER CHARITIES**

City Kidz Ministry believes in stewardship – making the most of every dollar they receive. They also believe that, as they are the recipients of donation from others, they should, where possible, support other charitable organizations which are also addressing the needs of children living in low-income communities. City Kidz Ministry strives to do a few things and to do them very well but they do not address all the needs of the children and families they serve. A portion of income, which has not been directed by the donors, is given to other charities addressing these other needs. These amounts are reported as “Gifts to Other Charities”.

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

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Accounts receivable	<b>(11,543)</b>	10,068
Prepaid expenses	<b>(4,100)</b>	560
Accounts payable	<b>9,805</b>	1,432
	<b>(5,838)</b>	12,060

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

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*Year ended December 31, 2013*

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**12. COMMITMENTS**

At December 31, 2013, future payments in respect of all operating leases were as follows:

	<b>\$</b>
2014	63,000
2015	61,000
2016	40,000
	<b>164,000</b>

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**13. FINANCIAL RISKS**

The Organization manages its investment portfolio to earn investment income and invests according to an Investment Management Policy approved by the Board of Directors. The Organization is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

The Organization believes that it is not exposed to significant interest-rate, market, credit or cash flow risk arising from its financial instruments. Additionally, the Organization believes it is not exposed to significant liquidity risk as all investments are held in instruments that are highly liquid and can be disposed of to settle commitments.

**14. COMPARATIVE INFORMATION**

Certain financial information of the prior year has been re-stated in order to conform with the presentation adopted in the current reporting period.