

CITY KIDZ MINISTRY

FINANCIAL STATEMENTS

DECEMBER 31, 2014

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INDEPENDENT AUDITORS' REPORT

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, 2014, 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

AN INDEPENDENT MEMBER OF DFK INTERNATIONAL

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 (deficiency) of revenue over expenses, and cash flows from operations for the year ended December 31, 2014, current assets as at December 31, 2014 and fund balances as at December 31, 2014.

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, 2014, 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
May 22, 2015

CITY KIDZ MINISTRY**STATEMENT OF FINANCIAL POSITION***As at December 31*

	General Fund \$	Capital Asset Fund \$	2014 Total \$	2013 Total \$
ASSETS				
CURRENT				
Cash (Note 4)	450,078	-	450,078	536,209
Short-term investments (Note 5)	103,775	-	103,775	96,521
HST receivable	28,694	-	28,694	28,584
Prepaid expenses	13,339	-	13,339	7,339
	595,886	-	595,886	668,653
CAPITAL ASSETS (Note 6)	-	422,681	422,681	410,150
	595,886	422,681	1,018,567	1,078,803
LIABILITIES				
CURRENT				
Accounts payable (Note 7)	47,395	-	47,395	50,796
DEFERRED CONTRIBUTIONS (Note 8)	52,873	-	52,873	33,823
	100,268	-	100,268	84,619
FUND BALANCES				
INVESTED IN CAPITAL ASSETS	-	422,681	422,681	410,150
INTERNALLY RESTRICTED (Note 9)	36,753	-	36,753	24,984
UNRESTRICTED	458,865	-	458,865	559,050
	495,618	422,681	918,299	994,184
	595,886	422,681	1,018,567	1,078,803

*(See accompanying Notes to Financial Statements)***APPROVED ON BEHALF OF THE BOARD:**_____
Director_____
Director

CITY KIDZ MINISTRY**STATEMENT OF CHANGES IN FUND BALANCES**

	<i>Year ended December 31</i>			
	General Fund \$	Capital Asset Fund \$	2014 Total \$	2013 Total \$
Fund balances, beginning of year	584,034	410,150	994,184	1,001,624
Excess (deficiency) of revenues over expenses	(32,463)	(43,422)	(75,885)	5,754
Interfund transfers <i>(Note 9)</i>	(55,953)	55,953	-	-
Fund balances transferred to branches <i>(Note 2)</i>		-	-	(13,194)
Fund balances, end of year	495,618	422,681	918,299	994,184

(See accompanying Notes to Financial Statements)

CITY KIDZ MINISTRY
STATEMENT OF OPERATIONS

Year ended December 31

	General Fund \$	Capital Asset Fund \$	2014 Total \$	2013 Total \$
REVENUES				
Donations <i>(Note 10)</i>	1,314,862	5,000	1,319,862	1,223,944
Fundraising events	108,188	-	108,188	111,661
Grant income	159,448	18,000	177,448	243,027
Interest income	1,225	-	1,225	1,119
Gain on disposal of capital assets	-	-	-	3,174
Legacy giving	9,476	-	9,476	7,500
Miscellaneous income	9,340	-	9,340	2,000
	1,602,539	23,000	1,625,539	1,592,425
EXPENSES				
Advocacy and awareness	21,138	-	21,138	15,190
Bank charges and interest	14,814	-	14,814	13,451
Building operations	59,640	-	59,640	77,312
Bus ministry	105,082	-	105,082	100,129
Fundraising and donation appeals	179,880	-	179,880	169,061
Gifts to other charities <i>(Note 11)</i>	44,132	-	44,132	63,375
Insurance	21,503	-	21,503	21,113
Office and general	80,377	-	80,377	79,827
Professional consultations <i>(Note 12)</i>	61,040	-	61,040	27,230
Professional fees	19,229	-	19,229	18,189
Program <i>(Note 13)</i>	159,575	-	159,575	120,547
Rent	62,419	-	62,419	62,419
Telecommunication	21,261	-	21,261	16,820
Vehicle	14,707	-	14,707	12,852
Wages and benefits	770,205	-	770,205	729,968
	1,635,002	-	1,635,002	1,527,483
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE AMORTIZATION	(32,463)	23,000	(9,463)	64,942
AMORTIZATION	-	(66,422)	(66,422)	(59,188)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(32,463)	(43,422)	(75,885)	5,754

(See accompanying Notes to Financial Statements)

CITY KIDZ MINISTRY
STATEMENT OF CASH FLOWS

Year ended December 31

	General Fund \$	Capital Asset Fund \$	2014 Total \$	2013 Total \$
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	(32,463)	(43,422)	(75,885)	5,754
Items not involving cash:				
Amortization	-	66,422	66,422	59,188
Gain on disposal of capital assets	-	-	-	(3,174)
	(32,463)	23,000	(9,463)	61,768
Changes in non-cash working capital (Note 14)	(9,511)	-	(9,511)	(5,838)
	(41,974)	23,000	(18,974)	55,930
FINANCING ACTIVITIES				
Increase (decrease) in deferred contributions	19,050	-	19,050	(20,077)
Fund balances transferred to branches	-	-	-	(13,194)
	19,050	-	19,050	(33,271)
INVESTING ACTIVITIES				
Increase in short-term investments	(7,254)	-	(7,254)	(1,195)
Proceeds on disposal of capital assets	-	-	-	3,550
Purchase of capital assets	-	(78,953)	(78,953)	(96,215)
Transfer of capital assets to branches	-	-	-	5,797
	(7,254)	(78,953)	(86,207)	(88,063)
DECREASE IN CASH	(30,178)	(55,953)	(86,131)	(65,404)
CASH, BEGINNING OF YEAR	536,209	-	536,209	601,613
INTERFUND TRANSFERS	(55,953)	55,953	-	-
CASH, END OF YEAR	450,078	-	450,078	536,209
REPRESENTED BY:				
Cash	344,488	-	344,488	451,887
Tradebank (Note 4)	105,590	-	105,590	84,322
	450,078	-	450,078	536,209

(See accompanying Notes to Financial Statements)

CITY KIDZ MINISTRY**NOTES TO FINANCIAL STATEMENTS**

Year ended December 31, 2014

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, Youth and Development, 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

The Organization's branches operating in Regina and Ottawa have a separate charitable status and are governed by an independent Board of Directors. The Organization continues to collect grants on their behalf and incurs their related expenses, which are not reflected in these financial statements. At December 31, 2014, the Organization's accounts payable includes unspent funds related to the branches, as described in Note 7.

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 and short-term investments.

Financial liabilities measured at amortized cost include accounts payable.

CITY KIDZ MINISTRY
NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

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 excess of revenues over expenses. 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 excess of revenues over expenses 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, 2014*

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. CASH

Tradebank is a global trade network that assists companies and charities of all sizes to convert what they have into what they need using a means of exchange called the Canadian Tradebank Dollar. City Kidz is a benefactor of the Tradebank Foundation. City Kidz utilizes these donated funds to help offset operational costs.

5. SHORT-TERM INVESTMENTS

At year-end, short-term investments are comprised of investments in two Canadian money market mutual funds.

6. CAPITAL ASSETS

	2014			2013
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	38,040	-	38,040	38,040
Building	300,523	72,228	228,295	233,929
Furniture and fixtures	58,499	44,403	14,096	20,138
Office equipment	107,159	91,259	15,900	13,121
Audio video equipment	129,271	111,089	18,182	25,583
Automotive equipment	69,396	43,993	25,403	21,968
Boiler	15,786	15,042	744	1,062
Leasehold improvements	137,535	55,514	82,021	56,309
	856,209	433,528	422,681	410,150

7. ACCOUNTS PAYABLE

Included in the balance of accounts payable are other government remittances totaling \$NIL (2013 - \$15,643).

Also included in the balance of accounts payable is \$20,000 (2013 - \$7,040) 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, 2014*

8. 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:

	2014	2013
	\$	\$
Beginning balance	33,823	53,900
Add: Restricted amounts received during the year	155,406	199,450
Less: Amounts recognized as revenue in the year	(136,356)	(219,527)
Ending balance	52,873	33,823

9. 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 \$36,753 were unspent at December 31, 2014.

During 2014, \$55,953 (2013 - \$41,068) was internally transferred from the General Fund to the Capital Asset Fund in order to fund the cash outlays for capital asset acquisitions.

10. DONATIONS

Donation revenue of the General Fund and the Capital Asset Fund includes contributed materials having a fair value of \$50,676 and \$5,000 respectively (2013 - \$36,951 and \$NIL).

11. 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 donations 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”.

12. PROFESSIONAL CONSULTATIONS

Consultants were used to analyze and develop plans for staffing and marketing strategies. This was done to ensure that before hiring new staff, there was a clear understanding of their Human Resource needs.

13. PROGRAM

Independent research was done with City Kidz participants and volunteers to evaluate core programming. Recommendations from this research were implemented to increase the nutritional value of the food program and to enhance the relationship component in all programming.

CITY KIDZ MINISTRY
NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2014

14. CHANGES IN NON-CASH WORKING CAPITAL

	2014	2013
	\$	\$
HST receivable	(110)	(11,543)
Prepaid expenses	(6,000)	(4,100)
Accounts payable	(3,401)	9,805
	(9,511)	(5,838)

15. COMMITMENTS

At December 31, 2014, future payments in respect of all operating leases were as follows:

	\$
2015	70,000
2016	50,000
2017	10,000
2018	7,000
	137,000

16. 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.