

CITY KIDZ MINISTRY

FINANCIAL STATEMENTS

DECEMBER 31, 2012

HAMILTON OFFICE
EFFORT SQUARE
7TH FLOOR
105 MAIN STREET EAST
HAMILTON, ONTARIO
L8N 1G6

BURLINGTON OFFICE
THE TAYLOR LEIBOW BUILDING
SUITE 103
3410 SOUTH SERVICE RD.
BURLINGTON, ONTARIO
L7N 3T2

TEL.: (905) 523-0000
FAX: (905) 523-4681

TEL.: (905) 637-9959
FAX: (905) 637-3195

WEBSITE: WWW.TAYLORLEIBOW.COM

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, 2012, December 31, 2011 and January 1, 2011, and the statements of operations, changes in fund balances and cash flows for the years ended December 31, 2012 and December 31, 2011, 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 audits. We conducted our audits 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

HAMILTON OFFICE
EFFORT SQUARE
7TH FLOOR
105 MAIN STREET EAST
HAMILTON, ONTARIO
L8N 1G6

BURLINGTON OFFICE
THE TAYLOR LEIBOW BUILDING
SUITE 103
3410 SOUTH SERVICE RD.
BURLINGTON, ONTARIO
L7N 3T2

TEL.: (905) 523-0000
FAX: (905) 523-4681

TEL.: (905) 637-9959
FAX: (905) 637-3195

WEBSITE: WWW.TAYLORLEIBOW.COM

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Basis for Qualified Opinion

In common with many not-for-profit 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 years ended December 31, 2012 and December 31, 2011, and current assets and fund balances as at December 31, 2012, December 31, 2011 and January 1, 2011.

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, 2012, December 31, 2011 and January 1, 2011, and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Taylor Leibow LLP

CHARTERED ACCOUNTANTS
Licensed Public Accountants

Hamilton, Ontario
June 14, 2013

CITY KIDZ MINISTRY
STATEMENT OF FINANCIAL POSITION

As at

	General Fund \$	Capital Asset Fund \$	December 31, 2012 Total \$	December 31, 2011 Total \$	January 1, 2011 Total \$
ASSETS					
CURRENT					
Cash	594,053	7,560	601,613	610,076	445,911
Short-term investments (Note 5)	95,326	-	95,326	92,566	51,683
Accounts receivable	17,041	-	17,041	27,109	18,230
Prepaid expenses	3,239	-	3,239	3,799	9,080
	709,659	7,560	717,219	733,550	524,904
CAPITAL ASSETS (Note 6)	-	379,296	379,296	360,345	291,973
	709,659	386,856	1,096,515	1,093,895	816,877
LIABILITIES					
CURRENT					
Accounts payable (Note 7)	40,991	-	40,991	39,559	37,646
Current portion of mortgage payable	-	-	-	-	12,431
	40,991	-	40,991	39,559	50,077
MORTGAGE PAYABLE (Note 8)	-	-	-	-	44,526
DEFERRED CONTRIBUTIONS (Note 9)	53,900	-	53,900	17,646	29,708
	94,891	-	94,891	57,205	124,311
FUND BALANCES					
INVESTED IN CAPITAL ASSETS	-	386,856	386,856	360,345	235,016
INTERNALLY RESTRICTED (Note 10)	36,496	-	36,496	-	-
UNRESTRICTED	578,272	-	578,272	676,345	457,550
	614,768	386,856	1,001,624	1,036,690	692,566
	709,659	386,856	1,096,515	1,093,895	816,877

(See accompanying Notes to Financial Statements)

APPROVED ON BEHALF OF THE BOARD:

_____ Director

_____ Director

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

	General Fund \$	Capital Asset Fund \$	2012 Total \$	2011 Total \$
Fund balances, beginning of year	676,345	360,345	1,036,690	692,566
Excess (deficiency) of revenues over expenses	2,293	(37,359)	(35,066)	344,124
Interfund transfers <i>(Note 10)</i>	(63,870)	63,870	-	-
Fund balances, end of year	614,768	386,856	1,001,624	1,036,690

(See accompanying Notes to Financial Statements)

CITY KIDZ MINISTRY
STATEMENT OF OPERATIONS

Years ended December 31

	General Fund \$	Capital Asset Fund \$	2012 Total \$	2011 Total \$
REVENUES				
Donations <i>(Note 11)</i>	1,293,374	3,900	1,297,274	1,247,980
Fundraising events	89,072	-	89,072	83,952
Grant income	166,431	8,060	174,491	102,235
Interest income	1,184	-	1,184	916
Gain on disposal of capital assets	-	4,873	4,873	3,414
Legacy giving	72,526	-	72,526	482,028
	1,622,587	16,833	1,639,420	1,920,525
EXPENSES				
Advocacy and awareness	23,693	-	23,693	22,410
Amortization	-	54,192	54,192	61,465
Bank charges and interest	12,993	-	12,993	14,671
Building operations	84,793	-	84,793	94,709
Bus ministry	92,914	-	92,914	86,685
Fundraising and donation appeals	93,975	-	93,975	125,609
Gifts to other charities <i>(Note 12)</i>	78,582	-	78,582	50,915
Insurance	17,370	-	17,370	19,459
Mortgage interest	-	-	-	4,172
Office and general	82,113	-	82,113	77,103
Professional fees	40,397	-	40,397	39,719
Program	152,659	-	152,659	162,691
Rent	86,692	-	86,692	63,157
Telecommunication	22,133	-	22,133	30,743
Vehicle	14,089	-	14,089	16,293
Wages and benefits	817,891	-	817,891	706,600
	1,620,294	54,192	1,674,486	1,576,401
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	2,293	(37,359)	(35,066)	344,124

(See accompanying Notes to Financial Statements)

CITY KIDZ MINISTRY**STATEMENT OF CASH FLOWS***Years ended December 31*

	General Fund \$	Capital Asset Fund \$	2012 Total \$	2011 Total \$
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	2,293	(37,359)	(35,066)	344,124
Items not involving cash:				
Amortization	-	54,192	54,192	61,465
Gain on disposal of capital assets	-	(4,873)	(4,873)	(3,414)
	2,293	11,960	14,253	402,175
Changes in non-cash working capital <i>(Note 13)</i>	12,060	-	12,060	(1,685)
	14,353	11,960	26,313	400,490
FINANCING ACTIVITIES				
Repayment of mortgage payable	-	-	-	(56,957)
Increase (decrease) in deferred contributions	36,254	-	36,254	(12,062)
	36,254	-	36,254	(69,019)
INVESTING ACTIVITIES				
Increase in short-term investments	(2,760)	-	(2,760)	(40,883)
Proceeds on disposal of capital assets	-	5,600	5,600	5,600
Purchase of capital assets	-	(70,970)	(70,970)	(64,927)
Donated capital assets	-	(2,900)	(2,900)	(67,096)
	(2,760)	(68,270)	(71,030)	(167,306)
INCREASE (DECREASE) IN CASH	47,847	(56,310)	(8,463)	164,165
CASH, BEGINNING OF YEAR	610,076	-	610,076	445,911
INTERFUND TRANSFERS	(63,870)	63,870	-	-
CASH, END OF YEAR	594,053	7,560	601,613	610,076

(See accompanying Notes to Financial Statements)

CITY KIDZ MINISTRY**NOTES TO FINANCIAL STATEMENTS**

Years ended December 31, 2012 and 2011

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 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. In addition to our programs in Hamilton, ON, we also operate branches in Regina, SK and Ottawa, ON.

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 \$33,492 (2011 - \$57,989) and \$17,239 (2011 - \$16,717) for Regina and Ottawa, respectively. Additionally, the related expenses for Regina and Ottawa are \$42,644 (2011 - \$52,999) and \$24,348 (2011 - \$9,360), respectively.

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 and mortgage payable.

CITY KIDZ MINISTRY**NOTES TO FINANCIAL STATEMENTS***Years ended December 31, 2012 and 2011*

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***Years ended December 31, 2012 and 2011*

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. IMPACT OF THE CHANGE IN THE BASIS OF ACCOUNTING

The Organization has elected to apply the standards in Part III of the CICA Accounting Handbook for not-for-profit organizations in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

These financial statements are the first financial statements for which the entity has applied ASNPO.

The financial statements for the year ended December 31, 2012 were prepared in accordance with the accounting principles and provisions set out in First-Time Adoption by Not-For-Profit Organizations, Section 1501, for first-time adopters of this basis of accounting.

The impact of adopting these standards has not resulted in any material changes to the opening financial statement for the current or previous year end. In the Statement of Operations presented for 2011, certain expenses have been reclassified to conform with the presentation adopted for the 2012 year.

5. SHORT-TERM INVESTMENTS

As at December 31, 2012, December 31, 2011 and January 1, 2011, the cost of the short-term investments is equal to the market value, and are comprised of investments in two Canadian money market mutual funds.

6. CAPITAL ASSETS

	December 31, 2012		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Land	38,040	-	38,040
Building	279,971	57,932	222,039
Furniture and fixtures	61,665	29,988	31,677
Office equipment	94,563	78,822	15,741
Audio video equipment	128,626	93,035	35,591
Automotive equipment	53,392	34,314	19,078
Boiler	14,681	14,267	414
Leasehold improvements	27,860	11,144	16,716
	698,798	319,502	379,296

CITY KIDZ MINISTRY**NOTES TO FINANCIAL STATEMENTS***Years ended December 31, 2012 and 2011*

6. CAPITAL ASSETS (Continued)

	December 31, 2011		
	Cost	Accumulated	Net
	\$	amortization	\$
	\$	\$	\$
Land	38,040	-	38,040
Building	227,956	51,065	176,891
Furniture and fixtures	61,166	17,505	43,661
Office equipment	90,071	72,075	17,996
Audio video equipment	122,615	78,867	43,748
Automotive equipment	47,059	29,930	17,129
Boiler	14,681	14,089	592
Leasehold improvements	27,860	5,572	22,288
	629,448	269,103	360,345

	January 1, 2011		
	Cost	Accumulated	Net
	\$	amortization	\$
	\$	\$	\$
Land	38,040	-	38,040
Building	227,956	45,594	182,362
Furniture and fixtures	22,410	21,149	1,261
Office equipment	86,821	64,362	22,459
Audio video equipment	97,439	61,260	36,179
Automotive equipment	37,009	26,183	10,826
Boiler	14,681	13,835	846
	524,356	232,383	291,973

7. ACCOUNTS PAYABLE

As at December 31, 2012, included in the balance of accounts payable are other government remittances totaling \$17,659 (December 31, 2011 - \$14,284, January 1, 2011 - \$14,330).

8. MORTGAGE PAYABLE

	December 31,	December 31,	January 1,
	2012	2011	2011
	\$	\$	\$
Mortgage payable, bearing interest at 7.9%, payable in blended monthly instalments of \$1,425, secured by land and building, due October 25, 2012, repaid during the 2011 fiscal year	-	-	56,957
Less: Current portion	-	-	12,431
	-	-	44,526

CITY KIDZ MINISTRY**NOTES TO FINANCIAL STATEMENTS***Years ended December 31, 2012 and 2011*

9. 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:

	December 31, 2012	December 31, 2011	January 1, 2011
	\$	\$	\$
Beginning balance	17,646	29,708	48,359
Add: Restricted amounts received during the year	158,250	60,450	79,150
Less: Amounts recognized as revenue in the year	(121,996)	(72,512)	(97,801)
Ending balance	53,900	17,646	29,708

10. 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 \$36,496 were unspent at December 31, 2012 (2011 - \$NIL, January 1, 2011 - \$NIL).

During 2012, \$63,870 (2011 - \$120,456) was internally transferred from the General Fund to the Capital Asset Fund in order to fund the cash outlays for capital asset acquisitions (2011 - capital asset acquisitions, mortgage principal repayments, and mortgage interest).

11. DONATIONS

Donation revenue of the General Fund and the Capital Asset Fund includes contributed materials having a fair value of \$50,991 and \$2,900 respectively (2011 - \$67,019 and \$67,096).

12. 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".

13. CHANGES IN NON-CASH WORKING CAPITAL

	2012	2011
	\$	\$
Accounts receivable	10,068	(8,879)
Prepaid expenses	560	5,281
Accounts payable	1,432	1,913
	12,060	(1,685)

CITY KIDZ MINISTRY**NOTES TO FINANCIAL STATEMENTS***Years ended December 31, 2012 and 2011*

14. 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.

15. COMMITMENTS

At December 31, 2012, future payments in respect of all operating leases were as follows:

	\$
2013	73,000
2014	69,000
2015	61,000
2016	40,000
	<hr/> 243,000 <hr/>