

CITY KIDZ MINISTRY

(Operating as CityKidz)

FINANCIAL STATEMENTS

DECEMBER 31, 2015



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

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

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

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, 2015, 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, 2015, current assets as at December 31, 2015 and fund balances as at January 1 and December 31, 2015.

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, 2015, 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 15, 2016

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

	General Fund \$	Capital Asset Fund \$	2015 Total \$	2014 Total \$
ASSETS				
CURRENT				
Cash (Note 4)	578,372	-	578,372	450,078
Short-term investments (Note 5)	104,823	-	104,823	103,775
HST receivable	21,226	-	21,226	28,694
Prepaid expenses	13,680	-	13,680	13,339
	718,101	-	718,101	595,886
CAPITAL ASSETS (Note 6)	-	374,467	374,467	422,681
	718,101	374,467	1,092,568	1,018,567
LIABILITIES				
CURRENT				
Accounts payable (Note 7)	70,258	-	70,258	47,395
DEFERRED CONTRIBUTIONS (Note 8)	122,213	-	122,213	52,873
	192,471	-	192,471	100,268
FUND BALANCES				
INVESTED IN CAPITAL ASSETS	-	374,467	374,467	422,681
INTERNALLY RESTRICTED (Note 9)	27,421	-	27,421	36,753
UNRESTRICTED	498,209	-	498,209	458,865
	525,630	374,467	900,097	918,299
	718,101	374,467	1,092,568	1,018,567

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

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

	General Fund \$	Capital Asset Fund \$	2015 Total \$	2014 Total \$
Fund balances, beginning of year	495,618	422,681	918,299	994,184
Excess (deficiency) of revenues over expenses	15,488	(33,690)	(18,202)	(75,885)
Interfund transfers <i>(Note 9)</i>	14,524	(14,524)	-	-
Fund balances, end of year	525,630	374,467	900,097	918,299

(See accompanying Notes to Financial Statements)

CITY KIDZ MINISTRY
STATEMENT OF OPERATIONS

Year ended December 31

	General Fund \$	Capital Asset Fund \$	2015 Total \$	2014 Total \$
REVENUES				
Donations (Note 10)	1,292,809	-	1,292,809	1,319,862
Fundraising events	99,529	-	99,529	108,188
Grant income	185,328	30,000	215,328	177,448
Interest income	1,048	-	1,048	1,225
Legacy giving	246	-	246	9,476
Miscellaneous income	18,978	-	18,978	9,340
	1,597,938	30,000	1,627,938	1,625,539
EXPENSES				
Advocacy and awareness	20,308	-	20,308	21,138
Bank charges and interest	12,322	-	12,322	14,814
Building operations	65,344	-	65,344	59,640
Bus ministry	84,327	-	84,327	105,082
Fundraising and donation appeals	166,146	-	166,146	179,880
Gifts to other charities (Note 11)	47,410	-	47,410	44,132
Insurance	21,059	-	21,059	21,503
Loss on disposal of capital assets	-	226	226	-
Office and general	88,139	-	88,139	80,377
Professional consultations (Note 12)	53,050	-	53,050	61,040
Professional fees	19,229	-	19,229	19,229
Program	148,559	-	148,559	159,575
Rent	62,419	-	62,419	62,419
Telecommunication	20,991	-	20,991	21,261
Vehicle	12,471	-	12,471	14,707
Wages and benefits	760,676	-	760,676	770,205
	1,582,450	226	1,582,676	1,635,002
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE AMORTIZATION	15,488	29,774	45,262	(9,463)
AMORTIZATION	-	(63,464)	(63,464)	(66,422)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	15,488	(33,690)	(18,202)	(75,885)

(See accompanying Notes to Financial Statements)

CITY KIDZ MINISTRY
STATEMENT OF CASH FLOWS

Year ended December 31

	General Fund \$	Capital Asset Fund \$	2015 Total \$	2014 Total \$
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	15,488	(33,690)	(18,202)	(75,885)
Items not involving cash:				
Amortization	-	63,464	63,464	66,422
Loss on disposal of capital assets	-	226	226	-
	15,488	30,000	45,488	(9,463)
Changes in non-cash working capital <i>(Note 13)</i>	29,990	-	29,990	(9,511)
	45,478	30,000	75,478	(18,974)
FINANCING ACTIVITIES				
Increase in deferred contributions	69,340	-	69,340	19,050
INVESTING ACTIVITIES				
Increase in short-term investments	(1,048)	-	(1,048)	(7,254)
Purchase of capital assets	-	(15,476)	(15,476)	(78,953)
	(1,048)	(15,476)	(16,524)	(86,207)
INCREASE IN CASH	113,770	14,524	128,294	(86,131)
CASH, BEGINNING OF YEAR	450,078	-	450,078	536,209
INTERFUND TRANSFERS	14,524	(14,524)	-	-
CASH, END OF YEAR	578,372	-	578,372	450,078
REPRESENTED BY:				
Cash	492,129	-	492,129	344,488
Tradebank <i>(Note 4)</i>	86,243	-	86,243	105,590
	578,372	-	578,372	450,078

(See accompanying Notes to Financial Statements)

CITY KIDZ MINISTRY**NOTES TO FINANCIAL STATEMENTS**

Year ended December 31, 2015

1. PURPOSE OF THE ORGANIZATION

CityKidz exists 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. The aim of CityKidz programs is that all children will thrive so that they can have the opportunity to reach their full potential. Guided by faith, hope and love for the children and their families, CityKidz offers 9 core programs for children aged 3 to 18. Each program is designed using evidence based research and outcomes.

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, 2015, 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, 2015

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%
Computer software	55%

CITY KIDZ MINISTRY**NOTES TO FINANCIAL STATEMENTS***Year ended December 31, 2015*

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. CityKidz estimates that, during 2015, 447 program volunteers and 329 event volunteers contributed a combined total of 91,050 hours with an approximate value of \$1,001,550, if valued at \$11.00/hr.

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

Cash includes \$86,243 in account with Tradebank which is a global trade network that assists companies and charities of all sizes to convert their account balance into products or services using a means of exchange called the Canadian Tradebank Dollar. CityKidz is a benefactor of the Tradebank Foundation. CityKidz 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

	2015			2014
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Land	38,040	-	38,040	38,040
Building	300,523	79,077	221,446	228,295
Furniture and fixtures	62,942	49,965	12,977	14,096
Office equipment	107,159	96,072	11,087	15,900
Audio video equipment	131,538	117,224	14,313	18,182
Automotive equipment	67,136	49,512	17,624	25,403
Boiler	15,786	15,265	521	744
Leasehold improvements	137,535	83,021	54,514	82,021
Computer Software	8,768	4,822	3,945	-
	869,427	485,314	374,467	422,681

CITY KIDZ MINISTRY**NOTES TO FINANCIAL STATEMENTS***Year ended December 31, 2015*

7. ACCOUNTS PAYABLE

Included in the balance of accounts payable are other government remittances totaling \$16,015 (2014 - \$112).

Also included in the balance of accounts payable is \$20,000 (2014 - \$20,000) payable to branches operating in Regina and Ottawa. This balance represents the unspent funding received on their behalf.

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:

	2015	2014
	\$	\$
Beginning balance	52,873	33,823
Add: Restricted amounts received during the year	271,892	155,406
Less: Amounts recognized as revenue in the year	(202,552)	(136,356)
Ending balance	122,213	52,873

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 \$27,421 were unspent at December 31, 2015.

During 2015, \$14,524 was internally transferred to the General Fund from the Capital Asset Fund in order to repay previous cash outlays for capital asset acquisitions. (During 2014, \$55,953 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 gifts in kind having a fair value of \$39,229 and \$NIL respectively (2014 - \$50,676 and \$5,000).

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”.

CITY KIDZ MINISTRY**NOTES TO FINANCIAL STATEMENTS***Year ended December 31, 2015*

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 the Organization's Human Resource needs.

13. CHANGES IN NON-CASH WORKING CAPITAL

	2015	2014
	\$	\$
HST receivable	7,468	(110)
Prepaid expenses	(341)	(6,000)
Accounts payable	22,863	(3,401)
	29,990	(9,511)

14. COMMITMENTS

At December 31, 2015, future payments in respect of all operating leases were as follows:

	\$
2016	50,000
2017	10,000
2018	7,000
	67,000

15. 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.

16. SUBSEQUENT EVENT

Subsequent to year end, the Organization has listed the Playhouse Theatre, consisting of land and building located at 177 Sherman Avenue North, Hamilton ON, for sale.