

CITY KIDZ MINISTRY

(Operating as CityKidz)

FINANCIAL STATEMENTS

DECEMBER 31, 2017

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, 2017, 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.

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, 2017, current assets as at December 31, 2017 and fund balances as at January 1 and December 31, 2017.

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, 2017, 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.

Paylor Leibow LLP

CHARTERED ACCOUNTANTS
Licensed Public Accountants

Hamilton, Ontario
May 2, 2018

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

	General Fund \$	Capital Asset Fund \$	2017 Total \$	2016 Total \$
ASSETS				
CURRENT				
Cash (Note 3)	592,047	-	592,047	568,028
Short-term investments (Note 4)	106,484	-	106,484	105,613
HST receivable	63,694	-	63,694	29,542
Prepaid expenses	13,529	-	13,529	13,529
	775,754	-	775,754	716,712
CAPITAL ASSETS (Note 5)	-	888,321	888,321	361,594
	775,754	888,321	1,664,075	1,078,306
LIABILITIES				
CURRENT				
Accounts payable (Note 6)	41,379	-	41,379	78,614
Current portion of promissory notes payable (Note 8)	-	200,000	200,000	-
	41,379	200,000	241,379	78,614
DEFERRED CONTRIBUTIONS (Note 7)	191,102	-	191,102	160,694
PROMISSORY NOTES PAYABLE (Note 8)	-	50,000	50,000	-
	232,481	250,000	482,481	239,308
FUND BALANCES				
INVESTED IN CAPITAL ASSETS	-	638,321	638,321	361,594
INTERNALLY RESTRICTED (Note 9)	34,351	-	34,351	31,851
UNRESTRICTED	508,922	-	508,922	445,553
	543,273	638,321	1,181,594	838,998
	775,754	888,321	1,664,075	1,078,306

*(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 \$	2017 Total \$	2016 Total \$
Fund balances, beginning of year	477,404	361,594	838,998	900,096
Excess (deficiency) of revenues over expenses	182,945	159,651	342,596	(61,098)
Interfund transfers <i>(Note 9)</i>	(117,076)	117,076	-	-
Fund balances, end of year	543,273	638,321	1,181,594	838,998

(See accompanying Notes to Financial Statements)

CITY KIDZ MINISTRY
STATEMENT OF OPERATIONS

Year ended December 31

	General Fund \$	Capital Asset Fund \$	2017 Total \$	2016 Total \$
REVENUES				
Donations <i>(Note 10)</i>	1,512,274	206,571	1,718,845	1,374,143
Fundraising events	105,321	-	105,321	94,920
Grant income	325,092	-	325,092	272,152
Interest income	872	-	872	789
Legacy giving	42,500	-	42,500	15,000
Miscellaneous income	19,624	-	19,624	18,783
	2,005,683	206,571	2,212,254	1,775,787
EXPENSES				
Advocacy and awareness	38,493	-	38,493	34,867
Bank charges and interest	17,528	-	17,528	12,486
Building operations	80,540	-	80,540	68,243
Bus ministry	96,010	-	96,010	87,615
Fundraising and donation appeals	269,903	-	269,903	241,651
Gifts to other charities <i>(Note 11)</i>	27,500	-	27,500	25,570
Insurance	20,708	-	20,708	21,302
Loss (gain) on disposal of capital assets	-	(1,444)	(1,444)	(534)
Office and general	78,954	-	78,954	68,802
Professional consultations <i>(Note 12)</i>	41,180	-	41,180	7,673
Professional fees <i>(Note 13)</i>	20,871	-	20,871	21,100
Program	160,027	-	160,027	179,437
Rent	91,263	-	91,263	79,866
Telecommunication	23,111	-	23,111	20,323
Vehicle	14,602	-	14,602	13,119
Wages and benefits	842,048	-	842,048	895,107
	1,822,738	(1,444)	1,821,294	1,776,627
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE AMORTIZATION	182,945	208,015	390,960	(840)
AMORTIZATION	-	(48,364)	(48,364)	(60,258)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	182,945	159,651	342,596	(61,098)

(See accompanying Notes to Financial Statements)

CITY KIDZ MINISTRY
STATEMENT OF CASH FLOWS

Year ended December 31

	General Fund \$	Capital Asset Fund \$	2017 Total \$	2016 Total \$
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	182,945	159,651	342,596	(61,098)
Items not involving cash:				
Amortization	-	48,364	48,364	60,258
Gain on disposal of capital assets	-	(1,444)	(1,444)	(534)
	182,945	206,571	389,516	(1,374)
Changes in non-cash working capital <i>(Note 14)</i>	(71,387)	-	(71,387)	190
	111,558	206,571	318,129	(1,184)
FINANCING ACTIVITIES				
Increase in deferred contributions	30,408	-	30,408	38,481
Increase in promissory notes payable	-	250,000	250,000	-
	30,408	250,000	280,408	38,481
INVESTING ACTIVITIES				
Increase in short-term investments	(871)	-	(871)	(790)
Proceeds on disposal of capital assets	-	1,500	1,500	800
Purchase of capital assets	-	(575,147)	(575,147)	(47,651)
	(871)	(573,647)	(574,518)	(47,641)
INCREASE (DECREASE) IN CASH	141,095	(117,076)	24,019	(10,344)
CASH, BEGINNING OF YEAR	568,028	-	568,028	578,372
INTERFUND TRANSFERS	(117,076)	117,076	-	-
CASH, END OF YEAR	592,047	-	592,047	568,028
REPRESENTED BY:				
Cash	543,356	-	543,356	493,779
Tradebank <i>(Note 3)</i>	48,691	-	48,691	74,249
	592,047	-	592,047	568,028

(See accompanying Notes to Financial Statements)

CITY KIDZ MINISTRY

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

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. 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, current portion of loan payable and loan payable.

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.

CITY KIDZ MINISTRY
NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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%

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 2017, 791 volunteers contributed a combined total of 41,404 hours with an approximate value of \$579,656, if valued at \$14/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.

CITY KIDZ MINISTRY**NOTES TO FINANCIAL STATEMENTS***Year ended December 31, 2017*

3. CASH

Cash includes \$48,691 (2016 - \$74,249) 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.

4. SHORT-TERM INVESTMENTS

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

5. CAPITAL ASSETS

	2017			2016
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Land	38,040	-	38,040	38,040
Building	300,523	92,164	208,359	214,803
Furniture and fixtures	71,110	56,583	14,527	9,084
Office equipment	122,331	101,727	20,604	7,761
Audio video equipment	160,506	138,226	22,280	28,826
Automotive equipment	67,711	57,225	10,486	15,060
Boiler	48,021	15,530	32,491	364
Leasehold improvements	671,632	130,897	540,735	45,881
Computer software	8,768	7,969	799	1,775
	1,488,642	600,321	888,321	361,594

6. ACCOUNTS PAYABLE

Included in the balance of accounts payable are other government remittances totaling \$26,842 (2016 - \$28,245).

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:

	2017	2016
	\$	\$
Beginning balance	160,694	122,213
Add: Restricted amounts received during the year	282,100	261,900
Less: Amounts recognized as revenue in the year	(251,692)	(223,419)
Ending balance	191,102	160,694

CITY KIDZ MINISTRY**NOTES TO FINANCIAL STATEMENTS***Year ended December 31, 2017*

8. PROMISSORY NOTES PAYABLE

At December 31, 2017, the Organization has the following promissory notes payable:

	2017	2016
	\$	\$
Promissory note payable to a maximum of \$400,000, bearing interest at 0% for a period of one year from the date of the first advance, due upon completion of the sale of the Playhouse Theatre (Sherman Ave property). An additional \$200,000 was advanced subsequent to year-end.	200,000	-
Promissory note payable bearing interest at 0% per annum for a term of two years, after which interest will be calculated at 6% per annum, with no set terms of repayment.	50,000	-
	250,000	-
<u>Less: current principal portion of promissory note payable</u>	<u>(200,000)</u>	-
	50,000	-

9. INTERNALLY RESTRICTED NET ASSETS AND INTERFUND TRANSFERS

In 2015, the Board of Directors of City Kidz Ministry's approved a policy to internally restrict a portion of the Organization's non-designated revenues to be set aside for gifts to other charities. Amounts designated for gifts to other charities of \$34,351 were unspent at December 31, 2017.

During 2017, \$117,076 (2016 - \$46,851) 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 \$34,795 and \$NIL respectively (2016 - \$27,392 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”.

CITY KIDZ MINISTRY**NOTES TO FINANCIAL STATEMENTS***Year ended December 31, 2017*

12. PROFESSIONAL CONSULTATIONS

Consultants were used to analyze and develop strategy about the path the Organization will take in the future.

13. PROFESSIONAL FEES

Professional fees include all legal and accounting fees paid. Professional Consultations includes all other fees paid to external consultations.

14. CHANGES IN NON-CASH WORKING CAPITAL

	2017	2016
	\$	\$
HST receivable	(34,152)	(8,316)
Prepaid expenses	-	151
Accounts payable	(37,235)	8,355
	(71,387)	190

15. COMMITMENTS

At December 31, 2017, future payments in respect of all operating leases were as follows:

	\$
2018	95,000
2019	90,000
2020	91,000
2021	93,000
2022	94,000
Thereafter	1,195,000
	1,658,000

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.

17. CONTINGENT GAIN

In December 2017, the Organization filed a "Request for Reconsideration" with the Municipal Property Assessment Corporation for the 2016 property tax year. The property tax reassessment results were received subsequent to year-end. Based on the results, it is likely that the Organization will receive a refund for an overpayment of property taxes; however, an exact estimate of the refund cannot be made at this time.

18. SUBSEQUENT EVENTS

On February 14, 2018 the Hamilton City Council approved the Organization's application to the Hamilton Future Fund for the kitchen equipment project in the amount of \$102,000.

On February 21, 2018 the Organization sold the Playhouse Theatre, consisting of land and building located at 177 Sherman Avenue North, Hamilton Ontario for \$630,000 with net proceeds being \$607,069. The proceeds were used to repay the promissory notes payable.

19. COMPARATIVE INFORMATION

The financial statements have been reclassified, to conform to the presentation used in the current year. The changes do not affect prior year net operating activities.