

CITY KIDZ MINISTRY

(Operating as CityKidz)

FINANCIAL STATEMENTS

DECEMBER 31, 2020

INDEPENDENT AUDITORS' REPORT

To the Directors of
City Kidz Ministry:

Qualified Opinion

We have audited the financial statements of City Kidz Ministry, which comprise the statement of financial position as at December 31, 2020, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, 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, 2020 and 2019, current assets as at December 31, 2020 and 2019 and net assets as at January 1 and December 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended December 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Taylor Leibow LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

Hamilton, Ontario
April 21, 2021

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

	General Fund \$	Capital Asset Fund \$	2020 Total \$	2019 Total \$
ASSETS				
CURRENT				
Cash	1,236,511	-	1,236,511	624,102
Short-term investments (Note 4)	160,941	-	160,941	160,049
HST receivable	23,726	-	23,726	20,421
Prepaid expenses	86,232	-	86,232	43,833
	1,507,410	-	1,507,410	848,405
CAPITAL ASSETS (Note 5)	-	949,895	949,895	1,032,158
	1,507,410	949,895	2,457,305	1,880,563
LIABILITIES				
CURRENT				
Accounts payable	14,963	-	14,963	17,105
DEFERRED CONTRIBUTIONS (Note 6)	221,501	-	221,501	177,163
	236,464	-	236,464	194,268
FUND BALANCES				
INVESTED IN CAPITAL ASSETS	-	949,895	949,895	1,032,158
INTERNALLY RESTRICTED (Note 7)	1,091,500	-	1,091,500	328,000
UNRESTRICTED	179,446	-	179,446	326,137
	1,270,946	949,895	2,220,841	1,686,295
	1,507,410	949,895	2,457,305	1,880,563

(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 \$	2020 Total \$	2019 Total \$
Fund balances, beginning of year	654,137	1,032,158	1,686,295	1,715,189
Excess (deficiency) of revenues over expenses	634,130	(99,584)	534,546	(28,894)
Interfund transfers <i>(Note 7)</i>	(17,321)	17,321	-	-
Fund balances, end of year	1,270,946	949,895	2,220,841	1,686,295

(See accompanying Notes to Financial Statements)

CITY KIDZ MINISTRY
STATEMENT OF OPERATIONS

Year ended December 31

	General Fund \$	Capital Asset Fund \$	2020 Total \$	2019 Total \$
REVENUES				
Donations (Note 8)	1,686,245	-	1,686,245	1,539,416
Grant income	370,444	-	370,444	409,499
Government funding	17,509	-	17,509	-
Other income	63,732	300	64,032	108,973
	2,137,930	300	2,138,230	2,057,888
EXPENSES				
Building operations	168,683	-	168,683	182,544
Bus ministry	75,049	-	75,049	127,353
Fundraising and donation appeals	146,837	-	146,837	195,710
Gifts to other charities (Note 9)	19,350	-	19,350	22,225
Insurance	21,978	-	21,978	19,235
Office and general	106,642	-	106,642	91,620
Professional fees and consultations	53,606	-	53,606	42,748
Program direct expenses	172,994	-	172,994	160,841
Wages and benefits	1,204,343	-	1,204,343	1,139,942
	1,969,482	-	1,969,482	1,982,218
EXCESS REVENUES OVER EXPENSES BEFORE OTHER INCOME (EXPENSES)	168,448	300	168,748	75,670
OTHER REVENUE (EXPENSES)				
Amortization	-	(99,884)	(99,884)	(104,564)
Canadian Emergency Wage Subsidy	465,682	-	465,682	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	634,130	(99,584)	534,546	(28,894)

(See accompanying Notes to Financial Statements)

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

	General Fund \$	Capital Asset Fund \$	2020 Total \$	2019 Total \$
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	634,130	(99,584)	534,546	(28,894)
Items not involving cash:				
Amortization	-	99,884	99,884	-
	634,130	300	634,430	75,670
Changes in non-cash working capital (<i>Note 10</i>)	(47,846)	-	(47,846)	21,776
	586,284	300	586,584	97,446
FINANCING ACTIVITIES				
Increase (decrease) in deferred contributions	44,338	-	44,338	(86,618)
INVESTING ACTIVITIES				
Increase in short-term investments	(892)	-	(892)	(52,221)
Purchase of capital assets	-	(17,621)	(17,621)	(118,235)
	(892)	(17,621)	(18,513)	(170,456)
INCREASE (DECREASE) IN CASH	629,730	(17,321)	612,409	(159,628)
CASH, BEGINNING OF YEAR	624,102	-	624,102	783,730
INTERFUND TRANSFERS	(17,321)	17,321	-	-
CASH, END OF YEAR	1,236,511	-	1,236,511	624,102

(See accompanying Notes to Financial Statements)

CITY KIDZ MINISTRY**NOTES TO FINANCIAL STATEMENTS**

Year ended December 31, 2020

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.

In response to the pandemic, we have temporarily adapted our programs to ensure the continued health and safety of our children, families, volunteers, staff, and everyone in our community.

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. COVID-19

The recent outbreak of the Coronavirus Disease 2019 (“COVID-19”) has spread across the globe and is impacting worldwide economic activity. This global pandemic poses the risk that we or our donors, vendors, employees, volunteers, and other partners may be unable to conduct regular operational activities for an indefinite period of time. While it is not possible at this time to estimate the impact that COVID-19 could have on our operations, the continued spread of COVID-19 and the measures taken by the federal, provincial, and municipal governments to contain its impact could adversely impact our Organization, financial condition, or results of operations. The extent to which the COVID-19 outbreak impacts our results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the spread of the virus and government actions.

The Organization has taken steps to mitigate the impact of this crisis and in 2020 focused on bringing the experience right to kids’ front doors as restrictions allowed. Programming focused on nurturing connections with children and families through enhanced versions of the Home Visits program. Staff and volunteers delivered snacks, activities, treats and birthday gifts directly to children’s homes. Additionally, as the organization was able, the program staff were out in the neighbourhoods entertaining and sharing stories with important lessons of faith, hope and love.

The Organization was eligible for grants under the Canada Emergency Wage Subsidy (CEWS) and Temporary Wage Subsidy (TWS) programs and has received grants of \$465,682 for the periods from March 2020 to November 2020.

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.

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.

CITY KIDZ MINISTRY
NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 or its carrying amount may not be recoverable. The Organization provides for amortization using the following methods and rates designed to amortize the cost of the capital assets over its estimated useful life. The annual amortization rates are as follows:

Furniture and fixtures	30%	diminishing balance
Office equipment	30%	diminishing balance
Audio video equipment	30%	diminishing balance
Automotive equipment	30%	diminishing balance
Leasehold improvements - other	20%	straight-line
Leasehold improvements - theatre	8%	straight-line
Computer software	55%	diminishing balance

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 2020, 242 volunteers contributed a combined total of 3,318 hours with an approximate value of \$46,452, 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, 2020*

4. SHORT-TERM INVESTMENTS

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

5. CAPITAL ASSETS

	2020			2019
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Furniture and fixtures	74,723	66,832	7,891	7,560
Office equipment	124,793	116,862	7,931	11,331
Audio video equipment	161,350	154,566	6,784	9,692
Automotive equipment	70,310	65,818	4,492	6,417
Leasehold improvements - other	154,163	151,519	2,644	5,969
Leasehold improvements - theatre	1,099,472	196,891	902,581	985,524
Computer software	31,414	13,842	17,572	5,665
	1,716,225	766,330	949,895	1,032,158

6. 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:

	2020	2019
	\$	\$
Beginning balance	177,163	263,781
Add: Restricted amounts received during the year	432,777	322,881
Less: Amounts recognized as revenue in the year	(388,439)	(409,499)
Ending balance	221,501	177,163

CITY KIDZ MINISTRY
NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2020

7. INTERNALLY RESTRICTED NET ASSETS AND INTERFUND TRANSFERS

During 2019 the Board of Directors of CityKidz Ministry approved the establishment of the Operating, Long-Term Planning and Contingency reserves:

Operating Reserve

The Operating Reserve is available to support short term operations due to the variation of revenues compared to operations at the beginning of the fiscal year. During the 2020 year, \$223,000 (2019 - \$NIL) of the operating reserve was utilized to support the operation functions of the organization. In the 2020 year, the Board approved an addition to the operating reserve in the amount of \$486,500 (2019 – \$NIL).

Long-Term Planning Reserve

The Long-Term Planning reserve is available to provide a source of internal funds for capital priorities to facilitate ongoing operation needs and development of future programs. During the year, the Board approved an addition to the long-term planning reserve in the amount of \$150,000 (2019 - \$50,000).

Contingency Reserve

The contingency reserve is available to ensure the stability of the mission, programs, employment, and ongoing operations of the organization in the event of unforeseen events or conditions. During the year, the Board approved an addition to the contingency reserve in the amount of \$350,000 (2019 - \$50,000).

The internally restricted fund balances are comprised of the following:

	2020	2019
	\$	\$
Operating	486,500	223,000
Long-Term Planning	205,000	55,000
Contingency	400,000	50,000
	1,091,500	328,000

CityKidz Ministry participated in federal wage subsidy funding during the 2020 fiscal year. During the pandemic year, the uncertainty in revenues incited CityKidz to participate in the government assisted subsidy programming to ensure that community programs would be maintained. In the fall of 2020, CityKidz received a good response to their Gift of Christmas campaign, allowing the ministry to end their year in a well established and positive fiscal position. Considering the ongoing unpredictability of the COVID context (as it affects programming throughout 2021), coupled with the Excess of Revenues over Expenses realized in the 2020 year, CityKidz has been able to strategically allocate reserves for programming, allowing the ministry to operate in a deficit for the 2021 year, while simultaneously sustaining programming for children and families throughout the remainder of 2021.

During 2020, \$17,321 was internally transferred from the General Fund to the Capital Asset Fund as a result of excess funds.

CITY KIDZ MINISTRY**NOTES TO FINANCIAL STATEMENTS***Year ended December 31, 2020*

8. DONATIONS

Donation revenue of the General Fund includes contributed gifts in kind having a fair value of \$28,639 (2019 - \$24,758).

9. 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”.

10. CHANGES IN NON-CASH WORKING CAPITAL

	2020	2019
	\$	\$
Accounts receivable	-	4,520
HST receivable	(3,305)	7,158
Prepaid expenses	(42,399)	7,090
Accounts payable	(2,142)	3,008
	(47,846)	21,776

11. COMMITMENTS

At December 31, 2020, future payments in respect of all operating leases were as follows:

	\$
2021	93,000
2022	94,000
2023	95,000
2024	130,000
2025	132,000
Thereafter	837,000
	1,381,000

12. 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.

13. 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.