

**CITY KIDZ MINISTRY**

*(Operating as CityKidz)*

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

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## INDEPENDENT AUDITORS' REPORT

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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, 2018, 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, 2018, 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, 2018 and 2017, current assets as at December 31, 2018 and 2017 and net assets as at January 1 and December 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended December 31, 2017 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.

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## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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### *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.
- 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 9, 2019

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

	<b>General Fund \$</b>	<b>Capital Asset Fund \$</b>	<b>2018 Total \$</b>	<b>2017 Total \$</b>
<b>ASSETS</b>				
CURRENT				
Cash (Note 3)	783,730	-	783,730	592,047
Short-term investments (Note 4)	107,828	-	107,828	106,484
Accounts receivable	4,520	-	4,520	-
HST receivable	27,579	-	27,579	63,694
Prepaid expenses	50,923	-	50,923	13,529
	<b>974,580</b>	<b>-</b>	<b>974,580</b>	<b>775,754</b>
CAPITAL ASSETS (Note 5)	-	1,018,487	1,018,487	888,321
	<b>974,580</b>	<b>1,018,487</b>	<b>1,993,067</b>	<b>1,664,075</b>
<b>LIABILITIES</b>				
CURRENT				
Accounts payable (Note 6)	14,097	-	14,097	41,379
Current portion of promissory notes payable (Note 8)	-	-	-	200,000
	<b>14,097</b>	<b>-</b>	<b>14,097</b>	<b>241,379</b>
DEFERRED CONTRIBUTIONS (Note 7)	263,781	-	263,781	191,102
PROMISSORY NOTES PAYABLE (Note 8)	-	-	-	50,000
	<b>277,878</b>	<b>-</b>	<b>277,878</b>	<b>482,481</b>
<b>FUND BALANCES</b>				
INVESTED IN CAPITAL ASSETS	-	1,018,487	1,018,487	638,321
INTERNALLY RESTRICTED (Note 9)	38,541	-	38,541	34,351
UNRESTRICTED	658,161	-	658,161	508,922
	<b>696,702</b>	<b>1,018,487</b>	<b>1,715,189</b>	<b>1,181,594</b>
	<b>974,580</b>	<b>1,018,487</b>	<b>1,993,067</b>	<b>1,664,075</b>

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

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

	<i>Year ended December 31</i>			
	<b>General Fund \$</b>	<b>Capital Asset Fund \$</b>	<b>2018 Total \$</b>	<b>2017 Total \$</b>
Fund balances, beginning of year	<b>543,273</b>	<b>638,321</b>	<b>1,181,594</b>	838,998
Excess of revenues over expenses	<b>136,690</b>	<b>396,905</b>	<b>533,595</b>	342,596
Interfund transfers <i>(Note 9)</i>	<b>16,739</b>	<b>(16,739)</b>	-	-
Fund balances, end of year	<b>696,702</b>	<b>1,018,487</b>	<b>1,715,189</b>	1,181,594

*(See accompanying Notes to Financial Statements)*

**CITY KIDZ MINISTRY**  
**STATEMENT OF OPERATIONS**

*Year ended December 31*

	General Fund \$	Capital Asset Fund \$	2018 Total \$	2017 Total \$
<b>REVENUES</b>				
Donations <i>(Note 10)</i>	1,678,474	136,020	1,814,494	1,718,845
Fundraising events	47,651	-	47,651	105,321
Grant income	323,630	-	323,630	325,092
Interest income	1,254	-	1,254	872
Legacy giving	27,500	-	27,500	42,500
Rental income	3,000	-	3,000	-
Miscellaneous income	18,487	-	18,487	19,624
	<b>2,099,996</b>	<b>136,020</b>	<b>2,236,016</b>	<b>2,212,254</b>
<b>EXPENSES</b>				
Advocacy and awareness	43,505	-	43,505	38,493
Bank charges and interest	14,526	-	14,526	14,406
Building operations	95,419	-	95,419	80,540
Bus ministry	97,660	-	97,660	96,010
Fundraising and donation appeals	224,265	-	224,265	269,903
Gifts to other charities <i>(Note 11)</i>	25,150	-	25,150	27,500
Insurance	16,553	-	16,553	20,708
Office and general	61,259	-	61,259	78,954
Professional consultations <i>(Note 12)</i>	85,950	-	85,950	41,180
Professional fees <i>(Note 13)</i>	20,810	-	20,810	20,871
Program	151,522	-	151,522	163,149
Rent	92,607	-	92,607	91,263
Telecommunication	18,829	-	18,829	23,111
Vehicle	11,139	-	11,139	14,602
Wages and benefits	1,004,112	-	1,004,112	842,048
	<b>1,963,306</b>	<b>-</b>	<b>1,963,306</b>	<b>1,822,738</b>
<b>EXCESS REVENUES OVER EXPENSES</b>				
BEFORE AMORTIZATION AND GAIN ON DISPOSAL OF CAPITAL ASSETS	<b>136,690</b>	<b>136,020</b>	<b>272,710</b>	<b>389,516</b>
AMORTIZATION	-	<b>(69,255)</b>	<b>(69,255)</b>	<b>(48,364)</b>
GAIN ON DISPOSAL OF CAPITAL ASSETS	-	<b>330,140</b>	<b>330,140</b>	<b>1,444</b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>136,690</b>	<b>396,905</b>	<b>533,595</b>	<b>342,596</b>

*(See accompanying Notes to Financial Statements)*

**CITY KIDZ MINISTRY**  
**STATEMENT OF CASH FLOWS**

*Year ended December 31*

	General Fund \$	Capital Asset Fund \$	2018 Total \$	2017 Total \$
<b>CASH PROVIDED BY (USED IN):</b>				
OPERATING ACTIVITIES				
Excess of revenues over expenses	136,690	396,905	533,595	342,596
Items not involving cash:				
Amortization	-	69,255	69,255	48,364
Gain on disposal of capital assets	-	(330,140)	(330,140)	(1,444)
	136,690	136,020	272,710	389,516
Changes in non-cash working capital <i>(Note 14)</i>	(33,081)	-	(33,081)	(71,387)
	103,609	136,020	239,629	318,129
FINANCING ACTIVITIES				
Increase in deferred contributions	72,679	-	72,679	30,408
Increase (decrease) in promissory note	-	(250,000)	(250,000)	250,000
	72,679	(250,000)	(177,321)	280,408
INVESTING ACTIVITIES				
Increase in short-term investments	(1,344)	-	(1,344)	(871)
Proceeds on disposal of capital assets	-	609,030	609,030	1,500
Purchase of capital assets	-	(478,311)	(478,311)	(575,147)
	(1,344)	130,719	129,375	(574,518)
INCREASE IN CASH	174,944	16,739	191,683	24,019
CASH, BEGINNING OF YEAR	592,047	-	592,047	568,028
INTERFUND TRANSFERS	16,739	(16,739)	-	-
CASH, END OF YEAR	783,730	-	783,730	592,047
<b>REPRESENTED BY:</b>				
Cash	761,479	-	761,479	543,356
BarterPay <i>(Note 3)</i>	22,251	-	22,251	48,691
	783,730	-	783,730	592,047

*(See accompanying Notes to Financial Statements)*

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**CITY KIDZ MINISTRY****NOTES TO FINANCIAL STATEMENTS**

*Year ended December 31, 2018*

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**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 and promissory notes 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.



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**CITY KIDZ MINISTRY****NOTES TO FINANCIAL STATEMENTS***Year ended December 31, 2018*

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**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 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:

Building	2.5%	diminishing balance
Furniture and fixtures	30%	diminishing balance
Office equipment	30%	diminishing balance
Audio video equipment	30%	diminishing balance
Automotive equipment	30%	diminishing balance
Boiler	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 2018, 824 volunteers contributed a combined total of 47,248 hours with an approximate value of \$661,472, 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.

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**CITY KIDZ MINISTRY****NOTES TO FINANCIAL STATEMENTS***Year ended December 31, 2018*

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**3. CASH**

Cash includes \$22,251 (2017 - \$48,691) in account with BarterPay (formerly 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 BarterPay Dollar. CityKidz is a benefactor of the BarterPay 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**

	2018			2017
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Land		-	-	38,040
Building		-	-	208,359
Furniture and fixtures	71,110	61,759	9,351	14,527
Office equipment	124,793	108,606	16,187	20,604
Audio video equipment	161,350	147,504	13,846	22,280
Automotive equipment	70,310	61,144	9,166	10,486
Boiler	-	-	-	32,491
Leasehold improvements - other	154,163	144,868	9,295	23,267
Leasehold improvements - theatre	986,460	29,055	957,405	517,468
Computer software	12,182	8,945	3,237	799
	<b>1,580,368</b>	<b>532,826</b>	<b>1,018,487</b>	<b>888,321</b>

**6. ACCOUNTS PAYABLE**

Included in the balance of accounts payable are other government remittances totaling \$NIL (2017 - \$26,842).

**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:

	2018	2017
	\$	\$
Beginning balance	191,102	160,694
Add: Restricted amounts received during the year	309,000	282,100
Less: Amounts recognized as revenue in the year	(236,322)	(251,692)
Ending balance	263,781	191,102

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**CITY KIDZ MINISTRY****NOTES TO FINANCIAL STATEMENTS***Year ended December 31, 2018*

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**8. PROMISSORY NOTES PAYABLE**

	2018	2017
	\$	\$
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) which occurred during the year.	-	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, repaid during year.	-	50,000
	-	250,000
Less: current principal portion of promissory note payable	-	(200,000)
	-	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 \$38,541 were unspent at December 31, 2018.

During 2018, \$16,739 was internally transferred to the General Fund from the Capital Asset Fund as a result of excess funds.

**10. DONATIONS**

Donation revenue of the General Fund and the Capital Asset Fund includes contributed gifts in kind having a fair value of \$15,985 and \$NIL respectively (2017 - \$34,795 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”.

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**CITY KIDZ MINISTRY****NOTES TO FINANCIAL STATEMENTS***Year ended December 31, 2018*

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**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**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Accounts receivable	<b>(4,520)</b>	-
HST receivable	<b>36,115</b>	(34,152)
Prepaid expenses	<b>(37,394)</b>	-
Accounts payable	<b>(27,282)</b>	(37,235)
	<b>(33,081)</b>	(71,387)

**15. COMMITMENTS**

At December 31, 2018, future payments in respect of all operating leases were as follows:

	<b>\$</b>
2019	90,000
2020	91,000
2021	93,000
2022	94,000
2023	95,000
Thereafter	1,099,000
	<b>1,562,000</b>

**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.

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**CITY KIDZ MINISTRY****NOTES TO FINANCIAL STATEMENTS**

*Year ended December 31, 2018*

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**17. CONTINGENT GAIN**

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. 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.