



## Financial Statements

City Kidz Ministry (Operating as CityKidz)

December 31, 2021

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# Independent Auditor's Report

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To the Directors of  
City Kidz Ministry (Operating as CityKidz)

## Qualified Opinion

We have audited the financial statements of City Kidz Ministry (Operating as CityKidz) ("CityKidz"), which comprise the statement of financial position as at December 31, 2021, 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* paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of CityKidz as at December 31, 2021, 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 ("ASNPO").

## Basis for Qualified Opinion

In common with many charitable organizations, CityKidz derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of CityKidz. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, and cash flows from operations for the years ended December 31, 2021 and 2020, current assets as at December 31, 2021 and 2020, and fund balances as at January 1, 2021 and 2020 and December 31, 2021 and 2020.

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 CityKidz 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.

## Emphasis of Matter – Restated Comparative Information

We draw attention to Note 9 to the financial statements, which explains that certain comparative information for the year ended December 31, 2020 has been restated. The financial statements for the year ended December 31, 2020, excluding the adjustments that were applied to restate certain comparative information, were audited by another auditor who expressed a qualified opinion on those financial statements on April 21, 2021. Our opinion is not modified in respect of the matter.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with ASNPO, 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 CityKidz'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 CityKidz or to cease operations, or has no realistic alternative but to do so.

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

### **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 CityKidz'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 CityKidz'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 CityKidz 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.

*Grant Thornton LLP*

Mississauga, Canada  
June 15, 2022

Chartered Professional Accountants  
Licensed Public Accountants

# City Kidz Ministry (Operating as CityKidz)

## Statement of Financial Position

December 31

2021

2020

(As restated –  
see Note 9)

### Assets

#### Current

Cash	\$ 761,307	\$ 1,126,210
Short-term investments	666,554	160,941
Accounts receivable	143,122	134,027
Prepaid expenses	<u>111,662</u>	<u>86,232</u>
	<b>1,682,645</b>	1,507,410

Investments	<b>50,000</b>	-
Capital assets (Note 3)	<u>919,295</u>	<u>949,895</u>
	<b><u>\$ 2,651,940</u></b>	<b><u>\$ 2,457,305</u></b>

### Liabilities

#### Current

Accounts payable and accrued liabilities	\$ 29,602	\$ 14,963
Lease inducement (Notes 4 and 9)	154,035	128,034
Deferred contributions (Note 5)	<u>251,084</u>	<u>221,501</u>
	<b><u>434,721</u></b>	<b><u>364,498</u></b>

### Fund balances

Unrestricted (Note 9)	466,093	51,412
Internally restricted (Note 6)	831,831	1,091,500
Invested in capital assets	<u>919,295</u>	<u>949,895</u>
	<b><u>2,217,219</u></b>	<b><u>2,092,807</u></b>
	<b><u>\$ 2,651,940</u></b>	<b><u>\$ 2,457,305</u></b>

Commitments (Note 7)

On behalf of the Board of Directors

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# City Kidz Ministry (Operating as CityKidz)

## Statement of Operations

Year ended December 31

	General Fund	Capital Asset Fund	Total 2021	Total 2020
				(As restated – see Note 9)
<b>Revenue</b>				
Donations	\$ 1,811,622	\$ -	\$ 1,811,622	\$ 1,686,245
Grants	408,214	-	408,214	370,444
Canada Emergency Wage Subsidy (“CEWS”)	174,773	-	174,773	465,682
Canada Emergency Rental Subsidy (“CERS”)	54,564	-	54,564	-
Other income	43,116	-	43,116	64,032
Government funding	14,413	-	14,413	17,509
	<u>2,506,702</u>	<u>-</u>	<u>2,506,702</u>	<u>2,603,912</u>
<b>Expenses</b>				
Wages and benefits	1,296,501	-	1,296,501	1,204,343
Program direct expenses	326,172	-	326,172	248,043
Building operations (Note 9)	222,490	-	222,490	196,071
Amortization	-	132,917	132,917	99,884
Fundraising	183,907	-	183,907	146,837
Office and general	98,133	-	98,133	106,642
Professional fees	79,291	-	79,291	53,606
Insurance	23,829	-	23,829	21,978
Gifts to other charities	19,050	-	19,050	19,350
	<u>2,249,373</u>	<u>132,917</u>	<u>2,382,290</u>	<u>2,096,754</u>
Excess (deficiency) of revenue over expenses	<u>\$ 257,329</u>	<u>\$ (132,917)</u>	<u>\$ 124,412</u>	<u>\$ 507,158</u>

See accompanying notes to the financial statements.

## City Kidz Ministry (Operating as CityKidz) Statement of Changes in Fund Balances

Year ended December 31

	General Fund		Capital Fund		Total 2021	Total 2020
	Unrestricted	Internally restricted	Externally restricted	Invested in capital assets		
Fund balance, beginning of year, as previously reported	\$ 51,412	\$ 1,091,500	\$ -	\$ 949,895	\$ 2,092,807	\$ 1,686,295
Prior period adjustment (Note 9)	-	-	-	-	-	(100,646)
Fund balance, beginning of year, as restated	51,412	1,091,500	-	949,895	2,092,807	1,585,649
Excess (deficiency) of revenue over expenses	257,329	-	-	(132,917)	124,412	507,158
Interfund transfers	259,669	(259,669)	-	-	-	-
Purchase of capital assets	(102,317)	-	-	102,317	-	-
Fund balance, end of year	\$ 466,093	\$ 831,831	\$ -	\$ 919,295	\$ 2,217,219	\$ 2,092,807

See accompanying notes to the financial statements.

## City Kidz Ministry (Operating as CityKidz)

### Statement of Cash Flows

Year ended December 31

2021

2020

(As restated –  
see Note 9)

Increase (decrease) in cash

#### Operating

Excess of revenue over expenses (Note 9)	<b>\$ 124,412</b>	\$ 507,158
Item not affecting cash		
Amortization	<b>132,917</b>	99,884
Increase in lease inducement (Note 9)	<b><u>26,001</u></b>	<u>27,388</u>
	<b>283,330</b>	634,430

Change in non-cash working capital items

Accounts receivable	<b>(9,095)</b>	(39,949)
Prepaid expenses	<b>(25,430)</b>	(42,399)
Accounts payable and accrued liabilities	<b>14,639</b>	(2,142)
Deferred contributions	<b><u>29,583</u></b>	<u>44,338</u>

**293,027**      594,278

#### Investing

Purchase of investments (net)	<b>(555,613)</b>	(892)
Purchase of capital assets	<b><u>(102,317)</u></b>	<u>(17,621)</u>
	<b><u>(657,930)</u></b>	<u>(18,513)</u>

(Decrease) increase in cash

**(364,903)**      575,765

Cash, beginning of year

**1,126,210**      550,445

Cash, end of year

**\$ 761,307**      \$ 1,126,210

See accompanying notes to the financial statements.

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# City Kidz Ministry (Operating as CityKidz)

## Notes to the Financial Statements

December 31, 2021

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### 1. Purpose of the Organization

City Kidz Ministry (Operating as CityKidz) (“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.

CityKidz 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.

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### 2. Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”). ASNPO requires entities to select policies appropriate for their circumstances from policies provided in these standards. The significant accounting policies selected by CityKidz and applied in these financial statements are as follows.

#### **Fund accounting**

The accounts are maintained in accordance with the principles of fund accounting, whereby fund balances of CityKidz are classified for accounting and reporting purposes into funds to be used according to the directions of the donor or as determined by CityKidz.

The General Fund accounts for CityKidz’s program delivery and administrative activities. This fund includes unrestricted and internally restricted funds.

The unrestricted fund represent CityKidz’s amounts held for CityKidz’s program delivery and administrative activities outside of the purposes of the internally restricted funds.

The internally restricted funds are as follows:

#### Operating Reserve

The Operating Reserve is available to support short term operations depending on the anticipated variation of revenue compared to operations’ needs at the beginning of the fiscal year. During fiscal 2021, \$486,500 (2020 - \$223,000) was utilized to support operations. In fiscal 2021, the Board approved an addition to this reserve in the amount of \$251,393 (2020 - \$486,500).

#### Long-Term Planning Reserve

The Long-Term Planning Reserve is available to provide a source of funds for capital priorities to facilitate ongoing operational needs and the development of future programs. During fiscal 2021, \$77,319 (2020 - \$Nil) was utilized to support capital purchases. In fiscal 2021, the Board approved an addition to this reserve in the amount of \$52,757 (2020 - \$150,000).

#### Contingency Reserve

The contingency reserve is available to ensure the stability of the mission, programs, employment, and ongoing operations of CityKidz in the event of unforeseen events or conditions. During fiscal 2021, the Board approved an addition to this reserve in the amount of \$Nil (2020 - \$350,000).

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# City Kidz Ministry (Operating as CityKidz)

## Notes to the Financial Statements

December 31, 2021

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### 2. Summary of significant accounting policies (continued)

#### Fund accounting (continued)

The Capital Asset Fund reports the assets, liabilities, revenue and expenses related to CityKidz's capital assets and software. This fund includes funds received externally restricted for capital assets as well as those invested in capital assets.

#### Revenue recognition

CityKidz follows the restricted fund method of accounting for contributions. Contributions which are externally restricted by the donor are recorded as revenue of the appropriate restricted fund when received. Externally restricted contributions for which there is no associated restricted fund are recorded as deferred contributions when received and are recognized as revenue in the year in which the related expenses are incurred. 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.

Other income is recognized as earned in the appropriate fund in accordance with the relevant restrictions, if any.

Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rental Subsidy ("CERS") are government assistance and are recognized in the statement of operations when received or receivable in the year to which it relates.

#### Contributed services and goods

Volunteers contribute their time during the year to assist CityKidz in carrying out its service delivery activities. However, because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Contributed goods 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. Included in donations revenue is contributed goods of \$36,992 (2020 - \$28,639). All other contributed goods are not recognized in the financial statements because of the difficulty in determining its fair value or use for CityKidz operations.

#### Financial instruments

CityKidz considers any contract creating a financial asset, liability or equity instrument as a financial instrument. CityKidz's financial instruments are comprised of cash, short-term investments, accounts receivable and accounts payable.

CityKidz's financial instruments are initially recorded at fair value and subsequently measured at amortized cost. Short-term investments consist of balances in investment savings accounts of \$666,554 (2020 - \$160,941) while investments consist of a guaranteed investment certificate of \$50,000 (2020 - \$Nil), earning interest at 1.93% and maturing in December 2023.

# City Kidz Ministry (Operating as CityKidz)

## Notes to the Financial Statements

December 31, 2021

### 2. Summary of significant accounting policies (continued)

#### Capital assets

Purchased capital assets are recorded at cost and contributed capital assets are recorded at fair value at the date of contribution. CityKidz provides for amortization using the following methods and rates designed to amortize the cost of the capital assets and software over its estimated useful life. The annual amortization rates are as follows:

Furniture and fixtures	30% declining balance
Office equipment	30% declining balance
Audio video equipment	30% declining balance
Automotive equipment	30% declining balance
Leasehold improvements - theatre	over the term of the lease
Leasehold improvements - other	20% straight-line
Computer hardware	55% declining balance

Capital assets are tested for impairment when events or changes in circumstances indicate that an asset might be impaired. The assets are tested for impairment by comparing the net carrying value to its fair value or replacement cost. If the asset's fair value or replacement cost is determined to be less than its net carrying value, the resulting impairment is reported in the statement of operations. Any impairment recognized is not reversed.

#### Use of estimates

Management reviews the carrying amounts of items in the financial statements at each statement of financial position date to assess the need for revision or any possibility of impairment. Certain items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. These estimates are reviewed periodically and adjustments are made to the excess of revenue over expenses as appropriate in the year they become known.

### 3. Capital assets

	Cost	Accumulated Amortization	<u>2021</u> Net Book Value	<u>2020</u> Net Book Value
Furniture and fixtures	\$ 78,833	\$ 69,199	\$ 9,634	\$ 7,891
Office equipment	124,793	119,241	5,552	7,931
Audio video equipment	161,350	156,601	4,749	6,784
Automotive equipment	70,310	67,166	3,144	4,492
Leasehold improvements - theatre	1,100,212	305,463	794,749	902,581
Leasehold improvements - other	231,564	158,070	73,494	2,644
Computer hardware	48,499	20,526	27,973	17,572
	<u>\$ 1,815,561</u>	<u>\$ 896,266</u>	<u>\$ 919,295</u>	<u>\$ 949,895</u>

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## City Kidz Ministry (Operating as CityKidz)

### Notes to the Financial Statements

December 31, 2021

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#### 4. Lease inducement

During fiscal 2016, CityKidz entered into a 15 year lease agreement which includes discounted rent for the first seven years of the lease for one of the two units rented.

	<u>2021</u>	<u>2020</u>
Balance, beginning of the year	\$ 128,034	\$ 100,646
Increase of lease inducement	<u>26,001</u>	<u>27,388</u>
Balance, end of the year	<u>\$ 154,035</u>	<u>\$ 128,034</u>

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#### 5. Deferred contributions

	<u>2021</u>	<u>2020</u>
Balance, beginning of the year	\$ 221,501	\$ 177,163
Externally restricted contributions received or receivable	332,750	432,777
Revenue recognized	<u>(303,167)</u>	<u>(388,439)</u>
Balance, end of the year	<u>\$ 251,084</u>	<u>\$ 221,501</u>

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#### 6. Internally restricted fund balances

The internally restricted fund balances are comprised of the following:

	<u>2021</u>	<u>2020</u>
Operating Reserve	\$ 251,393	\$ 486,500
Long-Term Planning Reserve	180,438	205,000
Contingency Reserve	<u>400,000</u>	<u>400,000</u>
	<u>\$ 831,831</u>	<u>\$ 1,091,500</u>

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#### 7. Commitments

At December 31, 2021, future payments in respect of all operating leases were as follows:

2022	\$ 94,000
2023	107,000
2024	130,000
2025	133,000
2026	135,000
Thereafter	<u>705,000</u>
	<u>\$ 1,304,000</u>

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# City Kidz Ministry (Operating as CityKidz)

## Notes to the Financial Statements

December 31, 2021

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### 8. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of the financial statements in assessing the extent of risk related to financial instruments. There have been no changes to CityKidz's risk exposures from prior years.

#### Liquidity risk

Liquidity risk is the risk that CityKidz will be unable to fulfill its obligations on a timely basis or at a reasonable cost. CityKidz is exposed to liquidity risk in respect to its accounts payable. CityKidz manages its liquidity risk by monitoring its operating requirements. CityKidz prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

#### Credit risk

Credit risk is the risk of financial loss occurring as a result of a counter party to a financial instrument failing to discharge an obligation or commitment that it has entered into with CityKidz. CityKidz's main credit risks relate to its accounts receivable. CityKidz reduces its exposure to credit risk by creating an allowance for doubtful accounts when appropriate. As at December 31, 2021, the allowance for doubtful accounts is \$Nil (2020 - \$Nil).

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### 9. Prior period adjustment

During the year, CityKidz determined that it had inappropriately recorded the rental expense of its building lease as payments were due instead of recognizing the rental expense on a straight-line basis over the term of the lease in accordance with ASNPO. Thus, CityKidz has understated its lease inducement liability and building operations expense and overstated its unrestricted fund balance.

As a result of the findings, the comparative figures have been restated as follows:

	<u>Previously Reported</u>	<u>Adjustment</u>	<u>Restated</u>
<i>Statement of Financial Position</i>			
Lease inducement	\$ -	\$ 128,034	\$ <b>128,034</b>
Fund balance – unrestricted	179,446	(128,034)	<b>51,412</b>
<i>Statement of Operations</i>			
Building operations	168,683	27,388	<b>196,071</b>
Excess (deficiency) of revenue over expenses	534,546	(27,388)	<b>507,158</b>
<i>Statement of Changes in Fund Balances</i>			
Balance, beginning of year (2020)	1,686,295	(100,646)	<b>1,585,649</b>
Balance, end of year (2020)	2,220,841	(128,034)	<b>2,092,087</b>
<i>Statement of Cash Flows</i>			
Excess (deficiency) of revenue over expenses	534,546	(27,388)	<b>507,158</b>
Increase in lease inducement	-	27,388	<b>27,388</b>

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# City Kidz Ministry (Operating as CityKidz)

## Notes to the Financial Statements

December 31, 2021

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### 10. Comparative figures

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2021 financial statements.

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### 11. COVID-19

The outbreak of a novel strain of coronavirus (“COVID-19”) was declared a global pandemic by the World Health Organization in March 2020. COVID-19 has severely impacted many economies around the globe. In many countries, including Canada, organizations were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to organizations worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. In response to the pandemic, CityKidz has temporarily adapted its programs to ensure the continued health and safety of the children, families, volunteers, staff, and everyone in the community. CityKidz has also taken steps to mitigate the impact of COVID-19, focusing on bringing the experience to the kids’ front doors as restrictions allow and having programming focused on nurturing connections with children and families in the community.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of CityKidz for future periods.