



Financial Statements

City Kidz Ministry (Operating as CityKidz)

December 31, 2022

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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, 2022, 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, 2022, 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 donations, excess of revenue over expenses, and cash flows from operations for the years ended December 31, 2022 and 2021, current assets as at December 31, 2022 and 2021, and fund balances as at January 1, 2022 and 2021 and December 31, 2022 and 2021. Our audit opinion on the financial statements for the year ended December 31, 2021 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 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.

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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Mississauga, Canada
May 26, 2023

Chartered Professional Accountants
Licensed Public Accountants

City Kidz Ministry (Operating as CityKidz)
Statement of Financial Position

December 31

2022

2021

Assets

Current

Cash	\$ 791,347	\$ 761,307
Short-term investments	727,913	666,554
Accounts receivable	151,355	143,122
Prepaid expenses	<u>134,392</u>	<u>111,662</u>
	1,805,007	1,682,645

Investments

Capital assets (Note 3)

50,000	50,000
<u>1,073,005</u>	<u>919,295</u>
\$ 2,928,012	\$ 2,651,940

Liabilities

Current

Accounts payable and accrued liabilities	\$ 32,221	\$ 29,602
Lease inducement (Note 4)	178,695	154,035
Deferred contributions (Note 5)	<u>242,957</u>	<u>251,084</u>
	453,873	434,721

Fund balances

Unrestricted	400,834	466,093
Internally restricted (Note 6)	969,300	831,831
Externally restricted	31,000	-
Invested in capital assets	<u>1,073,005</u>	<u>919,295</u>
	2,474,139	2,217,219
	\$ 2,928,012	\$ 2,651,940

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 2022	Total 2021
Revenue				
Donations	\$ 1,918,855	\$ 138,000	\$ 2,056,855	\$ 1,811,622
Grants	556,279	100,000	656,279	408,214
Other income	52,500	-	52,500	43,116
Government funding	18,759	-	18,759	14,413
Canada Emergency Wage Subsidy ("CEWS")	-	-	-	174,773
Canada Emergency Rental Subsidy ("CERS")	-	-	-	54,564
	<u>2,546,393</u>	<u>238,000</u>	<u>2,784,393</u>	<u>2,506,702</u>
Expenses				
Wages and benefits	1,440,724	-	1,440,724	1,296,501
Program direct expenses	314,234	-	314,234	326,172
Fundraising	235,920	-	235,920	183,907
Building operations	228,703	-	228,703	222,490
Amortization	-	128,926	128,926	132,917
Office and general	98,081	-	98,081	98,133
Professional fees	36,521	-	36,521	79,291
Insurance	25,514	-	25,514	23,829
Gifts to other charities	18,850	-	18,850	19,050
	<u>2,398,547</u>	<u>128,926</u>	<u>2,527,473</u>	<u>2,382,290</u>
Excess of revenue over expenses	<u>\$ 147,846</u>	<u>\$ 109,074</u>	<u>\$ 256,920</u>	<u>\$ 124,412</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 Asset Fund		Total 2022	Total 2021
	Unrestricted	Internally restricted	Externally restricted	Invested in capital assets		
Fund balance, beginning of year	\$ 466,093	\$ 831,831	\$ -	\$ 919,295	\$ 2,217,219	\$ 2,092,807
Excess (deficiency) of revenue over expenses	147,846	-	238,000	(128,926)	256,920	124,412
Interfund transfers	(152,469)	152,469	-	-	-	-
Purchase of capital assets	(60,636)	(15,000)	(207,000)	282,636	-	-
Fund balance, end of year	<u>\$ 400,834</u>	<u>\$ 969,300</u>	<u>\$ 31,000</u>	<u>\$ 1,073,005</u>	<u>\$ 2,474,139</u>	<u>\$ 2,217,219</u>

See accompanying notes to the financial statements.

City Kidz Ministry (Operating as CityKidz)
Statement of Cash Flows

Year ended December 31

2022

2021

Increase (decrease) in cash

Operating

Excess of revenue over expenses	\$ 256,920	\$ 124,412
Items not affecting cash		
Amortization	128,926	132,917
Increase in lease inducement	<u>24,660</u>	<u>26,001</u>
	410,506	283,330

Change in non-cash working capital items

Accounts receivable	(8,233)	(9,095)
Prepaid expenses	(22,730)	(25,430)
Accounts payable and accrued liabilities	2,619	14,639
Deferred contributions	<u>(8,127)</u>	<u>29,583</u>

374,035 293,027**Investing**

Purchase of investments (net)	(61,359)	(555,613)
Purchase of capital assets	<u>(282,636)</u>	<u>(102,317)</u>
	(343,995)	(657,930)

Increase (decrease) in cash

30,040 (364,903)

Cash, beginning of year

761,307 1,126,210

Cash, end of year

\$ 791,347 \$ 761,307

See accompanying notes to the financial statements.

City Kidz Ministry (Operating as CityKidz)

Notes to the Financial Statements

December 31, 2022

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 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.

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 2022, \$251,381 (2021 - \$486,500) was utilized to support operations. In fiscal 2022, the Board approved an addition to this reserve in the amount of \$344,300 (2021 - \$251,393).

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 2022, \$15,000 (2021 - \$77,319) was utilized to support capital purchases. In fiscal 2022, the Board approved an addition to this reserve in the amount of \$59,550 (2021 - \$52,757).

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.

City Kidz Ministry (Operating as CityKidz)

Notes to the Financial Statements

December 31, 2022

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. 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 and grants which are externally restricted by the donor are recorded as revenue of the appropriate restricted fund when received. Externally restricted contributions and grants 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 \$43,146 (2021 - \$36,992). 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, 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 \$677,913 (2021 - \$666,554) and a guaranteed investment certificate of \$50,000 (2021 - \$Nil) earning interest at 1.93% and maturing in December 2023. Investments consist of a guaranteed investment certificate of \$50,000 (2021 - \$50,000) earning interest at 4.38% (2021 - 1.93%) and maturing in July 2024 (2021 - December 2023).

City Kidz Ministry (Operating as CityKidz)

Notes to the Financial Statements

December 31, 2022

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	5.5% - 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

			<u>2022</u>	<u>2021</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and fixtures	\$ 78,833	\$ 72,090	\$ 6,743	\$ 9,634
Office equipment	124,793	120,907	3,886	5,552
Audio video equipment	161,350	158,026	3,324	4,749
Automotive equipment	107,490	66,886	40,604	3,144
Leasehold improvements - theatre	1,100,212	408,166	692,046	794,749
Leasehold improvements - other	455,095	151,379	303,716	73,494
Computer hardware	<u>62,424</u>	<u>39,738</u>	<u>22,686</u>	<u>27,973</u>
	<u>\$ 2,090,197</u>	<u>\$ 1,017,192</u>	<u>\$ 1,073,005</u>	<u>\$ 919,295</u>

City Kidz Ministry (Operating as CityKidz)

Notes to the Financial Statements

December 31, 2022

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>2022</u>	<u>2021</u>
Balance, beginning of the year	\$ 154,035	\$ 128,034
Increase of lease inducement	<u>24,660</u>	<u>26,001</u>
Balance, end of the year	<u>\$ 178,695</u>	<u>\$ 154,035</u>

5. Deferred contributions

	<u>2022</u>	<u>2021</u>
Balance, beginning of the year	\$ 251,084	\$ 221,501
Externally restricted contributions received or receivable	125,000	332,750
Revenue recognized	<u>(133,127)</u>	<u>(303,167)</u>
Balance, end of the year	<u>\$ 242,957</u>	<u>\$ 251,084</u>

6. Internally restricted funds

The internally restricted funds are comprised of the following:

	<u>2022</u>	<u>2021</u>
Operating Reserve	\$ 344,300	\$ 251,393
Long-Term Planning Reserve	225,000	180,438
Contingency Reserve	<u>400,000</u>	<u>400,000</u>
	<u>\$ 969,300</u>	<u>\$ 831,831</u>

7. Commitments

CityKidz has an operating lease commitment to August 2041 with respect to premises. At December 31, 2022, future payments are as follows:

2023	\$ 107,000
2024	130,000
2025	133,000
2026	135,000
2027	137,000
Thereafter	<u>2,091,000</u>
	<u>\$ 2,733,000</u>

City Kidz Ministry (Operating as CityKidz)

Notes to the Financial Statements

December 31, 2022

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, 2022, the allowance for doubtful accounts is \$Nil (2021 - \$Nil).

9. 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 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. Additionally, measures taken to respond to the virus, and its impeding consequences, caused many organizations to re-evaluate their operations moving forward. CityKidz throughout the pandemic adapted programs to ensure the continued health and safety of the children, families, volunteers, staff, and everyone in the community. In 2022, CityKidz focused on rebuilding as they brought the program experience back indoors as restrictions allowed and continued programming focused on nurturing connections with children and families in the community.

It is not possible to reliably estimate the duration and severity of the ongoing consequences of the pandemic, as well as their impact on the financial position and results of CityKidz for future periods; however, CityKidz continues to rebuild and focus on a multi-year strategy to bring programming back in line with the shared mandate and vision of the organization post pandemic.