CHILDREACH CENTRE

Financial Statements

Year Ended December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Directors of
Childreach Centre

We have audited the accompanying financial statements of Childreach Centre which comprise the statement of financial position as at December 31, 2017 and the statements of operations and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion
In common with many charitable organizations, the Centre derives some of its revenue from donations, fundraising, and program revenue, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenue over expenses, assets, fund balances and cash flows for the year ended December 31, 2017 and 2016. The audit opinion on the financial statemensts for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation of scope.

Qualified Opinion
In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Childreach Centre as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Ford Keast LLP

London, Ontario
April 3, 2018

Chartered Professional Accountants
Licensed Public Accountants

CHILDREACH CENTRE

Statement of Financial Position as at December 31, 2017

	Operating Fund	Capital Fund	2017	2016
ASSETS				
CURRENT				
Cash	$ 695,921	$ -	$ 695,921	$ 704,901
Accounts receivable	24,191	-	24,191	24,592
Prepaid expenses	10,206	-	10,206	6,666
	730,318	-	730,318	736,159
PROPERTY AND EQUIPMENT (Note 3)	-	626,087	626,087	639,450
	$ 730,318	$ 626,087	$ 1,356,405	$ 1,375,609
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	$ 121,249	$ -	$ 121,249	$ 63,859
Government remittances payable	2,434	-	2,434	2,321
Refundable deposits	7,120	-	7,120	14,320
Deferred contributions (Note 4)	98,186	-	98,186	220,743
	228,989	-	228,989	301,243
DEFERRED CONTRIBUTIONS RELATED TO PROPERTY (Note 4)	-	236,181	236,181	246,705
	228,989	236,181	465,170	547,948
FUND BALANCES				
CAPITAL FUND	-	389,906	389,906	392,745
OPERATING FUND				
Internally restricted (Note 5)	288,452	-	288,452	286,570
Unrestricted	212,877	-	212,877	148,346
	501,329	389,906	891,235	827,661
	$ 730,318	$ 626,087	$ 1,356,405	$ 1,375,609

APPROVED BY THE BOARD OF DIRECTORS:

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Director

CHILDREACH CENTRE

Statement of Operations and Changes in Fund Balances
Year ended December 31, 2017
(Comparative figures for the nine months ended December 31, 2016)

	Operating Fund	Capital Fund	2017	2016
REVENUE (Schedule)	$ 1,565,467	$ 10,524	$ 1,575,991	$ 1,233,556
EXPENSES				
Salaries	965,787	-	965,787	682,715
Program delivery	215,794	-	215,794	239,008
Benefits	118,512	-	118,512	88,481
Building and equipment	73,207	-	73,207	37,274
Program support	66,611	-	66,611	44,137
Administration and insurance	39,939	-	39,939	23,753
Amortization	3,033	24,577	27,610	20,535
Fundraising	4,957	-	4,957	12,067
	1,487,840	24,577	1,512,417	1,147,970
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	77,627	(14,053)	63,574	85,586
Fund balances, beginning of year	434,916	392,745	827,661	742,075
Interfund transfers (Note 8)	(11,214)	11,214	-	-
Fund balances, end of year	$ 501,329	$ 389,906	$ 891,235	$ 827,661

CHILDREACH CENTRE

Schedule of Revenue
Year ended December 31, 2017
(Comparative figures for the nine months ended December 31, 2016)

	Operating Fund	Capital Fund	2017	2016
GOVERNMENT FUNDING				
Government funding	$ 975,079	-	975,079	729,783
NON-GOVERNMENT FUNDING				
Special project	252,462	-	252,462	208,695
Deferred contributions revenue (Note 4)	204,233	10,524	214,757	191,430
Program	65,271	-	65,271	34,613
Fundraising	27,709	-	27,709	23,198
Donations	22,620	-	22,620	25,450
Other	10,400	-	10,400	15,605
Interest and investment income	5,843	-	5,843	3,632
Rental	1,850	-	1,850	1,150
	590,388	10,524	600,912	503,773
	$ 1,565,467	$ 10,524	$ 1,575,991	$ 1,233,556

1. PURPOSE OF THE ORGANIZATION

Childreach Centre ("The Centre") is a not-for-profit organization operating supportive programs and resources for preschool children, parents and care givers as well as resource facilities and professional development to early childhood educators.

The Centre is incorporated under the Ontario Corporations Act without share capital. In addition, the Centre is a registered charity under the Canadian Income Tax Act and accordingly, is exempt from income taxes.

2. ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are summarized below.

Revenue Recognition

Childreach Centre follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions covering specific operational periods are recognized as revenue on a prorated basis over the operational period. Special project, fundraising, program and all other revenues are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Fund Accounting

The accounts of the Centre are maintained in accordance with the principles of "fund accounting". Under the principles, resources are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives.

Revenue and expenses related to program delivery and administrative activities are reported in the operating fund.

The capital fund reports the assets, liabilities, revenue and expenses related to capital assets and building campaign. Amortization of the vehicle is expensed directly to the operating fund.

Cash and Cash Equivalents

Cash as disclosed on the statement of financial position consist of cash on hand and balances with banks.

Short-term Investments

Short-term investments consist of high interest savings accounts with banks.

2. ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment is recorded at acquisition cost. Amortization is provided in the accounts using the straight-line method over the useful lives of the assets as follows:

Buildings	40 years
Vehicles	5 years

Financial Instruments

Measurement of financial instruments:
The Centre initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The Centre subsequently measures all its financial assets and financial liabilities at amortized cost, except short-term investments and investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenue over expenses.

Impairment:
Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down and any subsequent reversal is recognized in excess of revenue over expenses.

Transaction costs:
The Centre recognizes its transactions costs in expenses in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Contributed Services

Contributed services by volunteers are not recognized in these financial statements due to the difficulty in determining their fair market value.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Specific management estimates include amortization. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in excess of revenue over expenses in the period in which they become known.

3. PROPERTY AND EQUIPMENT

			Net	
	Cost	Accumulated Amortization	2017	2016
Land	$ 60,000	$ -	$ 60,000	$ 60,000
Buildings	1,148,144	603,550	544,593	569,171
Vehicles	28,264	6,770	21,494	10,279
	$ 1,236,408	$ 610,320	$ 626,087	$ 639,450

4. DEFERRED CONTRIBUTIONS

OPERATING FUND -
Deferred contributions represent unspent resources externally restricted for operating funding received in the current period that are related to the subsequent period. Deferred contribution balances are as follows:

	2017	2016
Balance - beginning of year	$ 220,743	$ 259,806
Less: Amounts recognized as revenue in the year	(204,233)	(183,537)
Add: Amounts received relating to subsequent years	81,676	144,474
Balance- end of year	$ 98,186	$ 220,743

CAPITAL FUND -
Deferred contributions represent:

a) Donations and grants externally restricted for major capital renovation projects;
b) Government funding received and allocated for capital purchases.

Deferred contribution balances are amortized into revenue on the same basis as the related assets are amortized to expense.

Deferred contributions related to property are as follows:

	2017	2016
Balance - beginning of year	$ 246,705	$ 254,598
Less: Amounts amortized to revenue	(10,524)	(7,893)
Balance - end of year	$ 236,181	$ 246,705

5. INTERNALLY RESTRICTED - OPERATING FUND

The board of directors has approved internal restrictions in the operating fund totaling $288,452 (December 31, 2016 - $286,570). The approved restrictions include interest earned on the funds in the current period of $1,882 (December 31, 2016 - $942) as follows:

a) $224,575 (March 31, 2016 - $223,109) for the establishment of an emergency reserve, and
b) $63,877 (March 31, 2016 - $63,461) for the establishment of a capital replacement reserve.

6. STATEMENT OF CASH FLOWS

The change in non-cash working capital balances related to operations referred to in the statement is determined as follows:

	2017	2016
(INCREASE) DECREASE IN CURRENT ASSETS:		
Accounts receivable	$ 401	$ 6,812
Prepaid expenses	(3,540)	(1,673)
INCREASE (DECREASE) IN CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	57,383	(8,356)
Government remittances payable	113	(951)
Refundable deposits	(7,200)	(7,250)
Deferred contributions	(122,557)	(39,063)
Net change	$ (75,400)	$ (50,481)

7. MINISTRY OF EDUCATION

During the period, Childreach Centre continued to have a service contract with the Ministry of Education. One requirement of the contract is the production by management of an Annual Program Expenditure Report (APERS) for its OEYC division. A review of this draft report shows it to be in a deficit position of $185 as at December 31, 2017 .

8. INTERFUND TRANSFERS

During the period, $11,214 was transferred from the operating fund to the capital fund, representing the net amount of amortization of vehicles and the purchase of a new vehicle.

9. FINANCIAL INSTRUMENTS RISK MANAGEMENT

Transactions in financial instruments may result in financial risks being assumed by the Centre. The risks identified by the Centre are as follows:

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the Centre by failing to discharge its obligation or make repayment. The Centre does not provide credit in the normal course of its operations. However, it does have receivables from an endowment fund managed by a local non-profit organization. The Centre does not have any concentration of credit risk.

It is management's belief that the Centre is not exposed to any significant currency, interest rate, liquidity or market risk.

There have been no significant changes in the nature or concentration of the risk exposure from the prior year.