

CHILDREACH CENTRE
Financial Statements
Year Ended December 31, 2020



Bringing Solutions Together

INDEPENDENT AUDITOR'S REPORT

To the Directors of Childreach Centre

Qualified Opinion

We have audited the financial statements of Childreach Centre ("the Centre"), which comprise the Statement of Financial Position as at December 31, 2020, and the Statements of Operations and 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 possible 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 Centre as at December 31, 2020 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Centre derives revenue from donations and fundraising activities, 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 Centre. Therefore, we were not able to determine whether any adjustments might be necessary to donation and fundraising revenue, net revenue (expense), current assets, total fund balances and cash flows for the year ended December 31, 2020 and December 31, 2019. Our audit opinion on the financial statements 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 Centre 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

We draw attention to Note 8 of the financial statements, which describes the effects of the COVID-19 pandemic on the Centre's operations. Our opinion is not modified in respect of this matter.

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 Centre'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 Centre or to cease operations, or has no realistic alternative but to do so.

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

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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 Centre'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 Centre'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 Centre'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 Centre 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 achieve 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.

London, Ontario
May 26, 2021

Ford Keast LLP

**Chartered Professional Accountants
Licensed Public Accountants**

CHILDREACH CENTRE

Statement of Financial Position as at December 31, 2020

	Operating Fund	Capital Fund	2020	2019
ASSETS				
CURRENT				
Cash - unrestricted	\$ 789,404	\$ -	\$ 789,404	\$ 538,267
Cash - internally restricted	4,481	-	4,481	4,452
Short-term investments				
- internally restricted	546,535	-	546,535	536,891
Government remittances receivable	8,307	-	8,307	20,579
Accounts receivable	8,850	-	8,850	10,726
Prepaid expenses	6,374	-	6,374	5,484
	<u>1,363,951</u>	<u>-</u>	<u>1,363,951</u>	<u>1,116,399</u>
PROPERTY AND EQUIPMENT (Note 2)	-	535,697	535,697	565,827
	<u>\$ 1,363,951</u>	<u>\$ 535,697</u>	<u>\$ 1,899,648</u>	<u>\$ 1,682,226</u>
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	\$ 126,581	\$ -	\$ 126,581	\$ 61,585
Government remittances payable	1,220	-	1,220	2,598
Deferred contributions (Note 3)	329,806	-	329,806	122,741
	<u>457,607</u>	<u>-</u>	<u>457,607</u>	<u>186,924</u>
DEFERRED CONTRIBUTIONS RELATED TO PROPERTY (Note 3)	-	204,609	204,609	215,133
	<u>457,607</u>	<u>204,609</u>	<u>662,216</u>	<u>402,057</u>
FUND BALANCES				
CAPITAL FUND	-	331,088	331,088	350,694
OPERATING FUND				
Internally restricted (Note 4)	551,016	-	551,016	534,452
Unrestricted	355,328	-	355,328	395,023
	<u>906,344</u>	<u>331,088</u>	<u>1,237,432</u>	<u>1,280,169</u>
	<u>\$ 1,363,951</u>	<u>\$ 535,697</u>	<u>\$ 1,899,648</u>	<u>\$ 1,682,226</u>

APPROVED BY THE DIRECTORS:


Director

CHILDREACH CENTRE

Statement of Operations and Changes in Fund Balances
Year ended December 31, 2020

	Operating Fund	Capital Fund	2020	2019
REVENUE (Schedule)	\$ 1,330,859	\$ 10,524	\$ 1,341,383	\$ 1,815,301
EXPENSES				
Salaries	1,026,964	-	1,026,964	1,020,355
Benefits	118,798	-	118,798	129,278
Program delivery	67,223	-	67,223	220,993
Administration and insurance	57,759	-	57,759	48,243
Program support	48,638	-	48,638	95,877
Amortization	-	30,130	30,130	30,130
Building and equipment	29,186	-	29,186	39,544
Fundraising	5,422	-	5,422	4,250
	1,353,990	30,130	1,384,120	1,588,670
NET REVENUE (EXPENSE)	(23,131)	(19,606)	(42,737)	226,631
Fund balances, beginning of year	929,475	350,694	1,280,169	1,053,538
Fund balances, end of year	\$ 906,344	\$ 331,088	\$ 1,237,432	\$ 1,280,169

CHILDREACH CENTRE

Statement of Cash Flows
Year ended December 31, 2020

	2020	2019
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net revenue (expense)	\$ (42,737)	\$ 226,631
Add (deduct) non-cash items:		
Amortization	30,130	30,130
Amortization - deferred contributions relating to property	(10,524)	(10,524)
Change in non-cash working capital items related to operations (Note 6)	283,941	(78,723)
	<u>260,810</u>	<u>167,514</u>
INVESTING ACTIVITIES		
Increase in short-term investments	<u>(9,644)</u>	<u>(536,891)</u>
INCREASE (DECREASE) IN CASH	251,166	(369,377)
Cash, beginning of year	<u>542,719</u>	<u>912,096</u>
CASH, END OF YEAR	\$ 793,885	\$ 542,719
REPRESENTED BY:		
Cash - unrestricted	\$ 789,404	\$ 538,267
Cash - internally restricted	<u>4,481</u>	<u>4,452</u>
	\$ 793,885	\$ 542,719

CHILDREACH CENTRE

Schedule of Revenue
Year ended December 31, 2020

	Operating Fund	Capital Fund	2020	2019
GOVERNMENT FUNDING				
Government funding	\$ 927,327	-	\$ 927,327	\$ 1,159,014
NON-GOVERNMENT FUNDING				
Special project	270,779	-	270,779	327,156
Deferred contributions revenue (Note 3)	36,713	10,524	47,237	118,492
Donations	30,334	-	30,334	54,521
Program	23,399	-	23,399	110,501
Other	14,953	-	14,953	11,200
Interest and investment	13,654	-	13,654	17,217
Fundraising	13,500	-	13,500	15,600
Rental	200	-	200	1,600
	403,532	10,524	414,056	656,287
	\$ 1,330,859	\$ 10,524	\$ 1,341,383	\$ 1,815,301

CHILDREACH CENTRE

Notes to Financial Statements
December 31, 2020

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.

1. SIGNIFICANT 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

The 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 these 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.

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 and guaranteed investment certificates with maturity dates within the next fiscal year.

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

CHILDREACH CENTRE

Notes to Financial Statements
December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 net revenue (expense).

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 net revenue (expense).

Transaction costs:

The Centre recognizes its transactions costs in net revenue (expense) 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

Volunteers contribute many hours each year to assist the Organization in carrying out its activities. Due to the difficulty of determining fair value, contributed services are not recognized in the financial statements.

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 property and equipment useful lives and amortization methods, deferred revenues, non-monetary transactions and allowance for doubtful accounts. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in net revenue in the period in which they become known.

2. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Net	
			2020	2019
Land	\$ 60,000	\$ -	\$ 60,000	\$ 60,000
Buildings	1,148,144	677,281	470,863	495,440
Vehicles	28,263	23,429	4,834	10,387
	<u>\$ 1,236,407</u>	<u>\$ 700,710</u>	<u>\$ 535,697</u>	<u>\$ 565,827</u>

CHILDREACH CENTRE

Notes to Financial Statements
December 31, 2020

3. 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:

	2020	2019
Balance: beginning of year	\$ 122,741	\$ 140,543
Less: amounts recognized as revenue in the year	(36,713)	(107,968)
Add: amounts received relating to subsequent years	243,778	90,166
Balance: end of year	<u>\$ 329,806</u>	<u>\$ 122,741</u>

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:

	2020	2019
Balance - beginning of year	\$ 215,133	\$ 225,657
Less: amounts amortized to revenue	(10,524)	(10,524)
Balance - end of year	<u>\$ 204,609</u>	<u>\$ 215,133</u>

4. INTERNALLY RESTRICTED - OPERATING FUND

The board of directors have approved internal restrictions in the Operating Fund totaling \$551,016 (2019 - \$534,452) which includes interest earned on the funds. Interest earned in the current period is \$9,673 (2019 - \$2,111). The internally restricted funds are allocated as follows:

- a) \$484,460 (2019 - \$469,897) for the establishment of an emergency reserve, and
- b) \$66,556 (2019 - \$64,555) for the establishment of a capital replacement reserve.

5. CITY OF LONDON

During the year, Childreach Centre continued to have a service contract with the City of London. One requirement of the contract is the production by management of an Annual Program Expenditure Report (APERS) for its Early ON division. A review of this draft report shows it to be in a deficiency position of \$76,021 as at December 31, 2020.

CHILDREACH CENTRE

Notes to Financial Statements
December 31, 2020

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:

	2020	2019
(INCREASE) DECREASE IN CURRENT ASSETS:		
Accounts receivable	\$ 14,148	\$ (8,638)
Prepaid expenses	(890)	(602)
INCREASE (DECREASE) IN CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	64,996	(33,661)
Due to City of London	-	(18,012)
Government remittances payable	(1,378)	(8)
Deferred contributions	207,065	(17,802)
Net change	<u>\$ 283,941</u>	<u>\$ (78,723)</u>

7. 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.

Interest Rate Risk

The Centre's investments include marketable securities at fixed interest rates. Accordingly the Centre is exposed to interest rate risk resulting in changes to future interest rates earned on its marketable securities.

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

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

8. COVID-19 PANDEMIC

In March 2020, the World Health Organization declared a global pandemic known as COVID-19. This pandemic could impact demand for products and services in the near future. The impact to the Centre is not determinable at the date of these financial statements; however, it may be material and could include changes to operations and the financial position of the Centre.