

**CHILDREACH CENTRE**  
Financial Statements  
Year Ended December 31, 2018



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, 2018, 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, 2018 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 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 revenue, excess of revenue over expenses, assets, fund balances and cash flows for the year ended December 31, 2018. 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.

### 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.

### 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.

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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  
March 18, 2019

*Ford Keast LLP*

**Chartered Professional Accountants  
Licensed Public Accountants**

# CHILDREACH CENTRE

Statement of Financial Position as at December 31, 2018

	Operating Fund	Capital Fund	2018	2017
<b>ASSETS</b>				
<b>CURRENT</b>				
Cash - unrestricted	\$ 556,111	\$ -	\$ 556,111	\$ 407,469
Cash - internally restricted	355,985	-	355,985	288,452
Accounts receivable	22,667	-	22,667	24,191
Prepaid expenses	4,882	-	4,882	10,206
	939,645	-	939,645	730,318
PROPERTY AND EQUIPMENT (Note 3)	-	595,957	595,957	626,088
	\$ 939,645	\$ 595,957	\$ 1,535,602	\$ 1,356,406
<b>LIABILITIES</b>				
<b>CURRENT</b>				
Accounts payable and accrued liabilities	\$ 95,246	\$ -	\$ 95,246	\$ 121,250
Due to City of London (Note 7)	18,012	-	18,012	-
Government remittances payable	2,606	-	2,606	2,434
Refundable deposits	-	-	-	7,120
Deferred contributions (Note 4)	140,543	-	140,543	98,186
	256,407	-	256,407	228,990
DEFERRED CONTRIBUTIONS RELATED TO PROPERTY (Note 4)	-	225,657	225,657	236,181
	256,407	225,657	482,064	465,171
<b>FUND BALANCES</b>				
CAPITAL FUND	-	370,300	370,300	389,906
OPERATING FUND				
Internally restricted (Note 5)	532,341	-	532,341	288,452
Unrestricted	150,897	-	150,897	212,877
	683,238	370,300	1,053,538	891,235
	\$ 939,645	\$ 595,957	\$ 1,535,602	\$ 1,356,406

APPROVED BY THE DIRECTORS:

 CPA, CA  
Director

# CHILDREACH CENTRE

Statement of Operations and Changes in Fund Balances  
Year ended December 31, 2018

	Operating Fund	Capital Fund	2018	2017
REVENUE (Schedule)	\$ 1,803,217	\$ 10,524	\$ 1,813,741	\$ 1,575,991
EXPENSES				
Salaries	1,040,354	-	1,040,354	965,787
Program delivery	267,920	-	267,920	215,794
Benefits	131,347	-	131,347	118,512
Program support	63,683	-	63,683	66,611
Building and equipment	50,993	-	50,993	73,207
Administration and insurance	42,487	-	42,487	39,939
Amortization	5,553	24,577	30,130	27,610
Fundraising	6,512	-	6,512	4,957
	<u>1,608,849</u>	<u>24,577</u>	<u>1,633,426</u>	<u>1,512,417</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	194,368	(14,053)	180,315	63,574
FUNDING REPAYABLE	<u>(18,012)</u>	<u>-</u>	<u>(18,012)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	176,356	(14,053)	162,303	63,574
Fund balances, beginning of year	501,329	389,906	891,235	827,661
Interfund transfers (Note 8)	<u>5,553</u>	<u>(5,553)</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 683,238</u>	<u>\$ 370,300</u>	<u>\$ 1,053,538</u>	<u>\$ 891,235</u>

# CHILDREACH CENTRE

Statement of Cash Flows  
Year ended December 31, 2018

	2018	2017
<b>Cash provided by (used in):</b>		
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses for the year	\$ 162,303	\$ 63,574
Add (deduct) non-cash items:		
Amortization	30,130	27,610
Amortization - deferred contributions relating to property	(10,524)	(10,524)
Change in non-cash working capital items related to operations (Note 6)	34,266	(75,392)
	<u>216,175</u>	<u>5,268</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	-	(14,247)
<b>INCREASE (DECREASE) IN CASH DURING THE YEAR</b>	<u>216,175</u>	<u>(8,979)</u>
Cash, beginning of year	<u>695,921</u>	<u>704,900</u>
<b>CASH, END OF YEAR</b>	<u>\$ 912,096</u>	<u>\$ 695,921</u>
<b>REPRESENTED BY:</b>		
Cash - unrestricted	\$ 556,111	\$ 407,469
Cash - internally restricted	<u>355,985</u>	<u>288,452</u>
	<u>\$ 912,096</u>	<u>\$ 695,921</u>

# CHILDREACH CENTRE

Schedule of Revenue

Year ended December 31, 2018

	Operating Fund	Capital Fund	2018	2017
<b>GOVERNMENT FUNDING</b>				
Government funding	\$ 1,204,625	-	1,204,625	975,079
<b>NON-GOVERNMENT FUNDING</b>				
Special project	346,804	-	346,804	252,462
Program	96,996	-	96,996	65,271
Deferred contributions revenue (Note 4)	65,760	10,524	76,284	214,757
Donations	28,759	-	28,759	22,620
Fundraising	27,821	-	27,821	27,709
Other	20,951	-	20,951	10,400
Interest and investment income	9,491	-	9,491	5,843
Rental	2,010	-	2,010	1,850
	598,592	10,524	609,116	600,912
	<u>\$ 1,803,217</u>	<u>\$ 10,524</u>	<u>\$ 1,813,741</u>	<u>\$ 1,575,991</u>

# CHILDREACH CENTRE

Notes to Financial Statements  
December 31, 2018

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## 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.

### 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, 2018

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## 2. 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 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.

### 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

			<u>Net</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2018</u>	<u>2017</u>
Land	\$ 60,000	\$ -	\$ 60,000	\$ 60,000
Buildings	1,148,144	628,127	520,017	544,594
Vehicles	28,263	12,323	15,940	21,494
	<u>\$ 1,236,407</u>	<u>\$ 640,450</u>	<u>\$ 595,957</u>	<u>\$ 626,088</u>

# CHILDREACH CENTRE

Notes to Financial Statements  
December 31, 2018

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## 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:

	<u>2018</u>	<u>2017</u>
Balance - beginning of year	\$ 98,186	\$ 220,743
Less: Amounts recognized as revenue in the year	(65,752)	(204,233)
Add: Amounts received relating to subsequent years	<u>108,109</u>	<u>81,676</u>
Balance- end of year	<u>\$ 140,543</u>	<u>\$ 98,186</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:

	<u>2018</u>	<u>2017</u>
Balance - beginning of year	\$ 236,181	\$ 246,705
Less: Amounts amortized to revenue	<u>(10,524)</u>	<u>(10,524)</u>
Balance - end of year	<u>\$ 225,657</u>	<u>\$ 236,181</u>

## 5. INTERNALLY RESTRICTED - OPERATING FUND

The board of directors approved internal restrictions in the Operating Fund in the year of \$240,356. The approved internal restrictions total \$532,341 (2017 - \$288,452) which includes interest earned on the funds. Interest earned in the current period is \$3,533 (2017 - \$942). The internally restricted funds are allocated as follows:

- a) \$468,041 (2017 - \$224,575) for the establishment of an emergency reserve, and
- b) \$64,300 (2017 - \$63,877) for the establishment of a capital replacement reserve.

# CHILDREACH CENTRE

Notes to Financial Statements  
December 31, 2018

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## 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:

	2018	2017
(INCREASE) DECREASE IN CURRENT ASSETS:		
Accounts receivable	\$ 1,524	\$ 401
Prepaid expenses	5,324	(3,540)
INCREASE (DECREASE) IN CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	(26,003)	57,391
Due to City of London	18,012	-
Government remittances payable	172	113
Refundable deposits	(7,120)	(7,200)
Deferred contributions	42,357	(122,557)
Net change	<u>\$ 34,266</u>	<u>\$ (75,392)</u>

## 7. 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 surplus position of \$17,614 as at December 31, 2018. Included in this amount is a surplus of \$18,012 related to certain one-time funding which is expected to be repayable to the City in 2019.

## 8. INTERFUND TRANSFERS

During the period, \$5,553 was transferred from the Operating Fund to the Capital Fund, representing the amortization of vehicles used in operations in the year.

## 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.

## 10. RECLASSIFICATIONS

Certain of the comparative amounts for the preceding year have been reclassified to conform with the statement presentation adopted for the current year.

**CHILDREACH CENTRE**  
Supplementary Information  
December 31, 2018



**Ford Keast**<sup>LLP</sup>

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## AUDITOR'S COMMENTS ON SUPPLEMENTARY INFORMATION

To the Directors,  
**Childreach Centre**

We have audited and reported separately herein on the financial statements of Childreach Centre for the year ended December 31, 2018.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Centre taken as a whole. The supplementary information included is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

London, Ontario  
March 18, 2019

*Ford Keast LLP*

**Chartered Professional Accountants  
Licensed Public Accountants**

## CHILDREACH CENTRE

Revenue and Expenses

City of London Funding

Year ended December 31, 2018

	2018	2017
<b>REVENUE</b>		
City of London	\$1,013,764	\$ 921,604
One time non-recurring revenue	132,300	-
	<u>1,146,064</u>	<u>921,604</u>
<b>EXPENSES</b>		
Salaries	724,862	582,351
Rent, lease and accommodation	103,659	103,364
Benefits	92,551	78,207
Services related to repairs and maintenance	66,295	36,323
Other supplies and equipment	68,976	46,096
Professional/contracted out services	17,145	16,973
Professional/contracted out IT services	11,293	8,948
General office	9,207	10,777
Insurance	9,174	8,417
Travel	8,328	5,380
Communication	4,472	3,360
Staff training	4,632	10,618
Other expenditures	3,675	3,551
Supplies related to repairs and maintenance	1,684	3,367
Advertising and promotion	1,362	4,057
Purchased client services	957	-
Meeting costs	178	-
	<u>1,128,450</u>	<u>921,789</u>
<b>EXCESS OF REVENUE OVER EXPENSES BEFORE REPAYABLE</b>	17,614	(185)
<b>FUNDING REPAYABLE</b>	<u>18,012</u>	<u>-</u>
<b>DEFICIENCY OF REVENUE OVER EXPENSES</b>	<u>\$ (398)</u>	<u>\$ (185)</u>