



**Ford Keast**<sup>L.P.</sup>

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## **CHILDREACH CENTRE**

**Financial Statements**

**Nine Month Period Ended December 31, 2016**



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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, 2016 and the statements of operations and changes in fund balances and cash flows for the period 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 Qualification

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 period ended December 31, 2016.

### Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualification paragraph, these financial statements present fairly, in all material respects, the financial position of Childreach Centre as at December 31, 2016 and its financial performance and its cash flows for the period then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Ford Keast LLP*

London, Ontario  
June 1, 2017

**Chartered Professional Accountants  
Licensed Public Accountants**

# CHILDREACH CENTRE

Statement of Financial Position as at December 31, 2016

	Operating Fund	Capital Fund	December 31 2016	March 31 2016
<b>ASSETS</b>				
<b>CURRENT</b>				
Cash	\$ 704,901	\$ -	\$ 704,901	\$ 657,153
Accounts receivable	24,592	-	24,592	31,404
Prepaid expenses	6,666	-	6,666	4,993
	<u>736,159</u>	<u>-</u>	<u>736,159</u>	<u>693,550</u>
PROPERTY AND EQUIPMENT (Note 4)	-	639,450	639,450	659,986
	<u>\$ 736,159</u>	<u>\$ 639,450</u>	<u>\$ 1,375,609</u>	<u>\$ 1,353,536</u>
<b>LIABILITIES</b>				
<b>CURRENT</b>				
Accounts payable and accrued liabilities	\$ 63,859	\$ -	\$ 63,859	\$ 72,215
Government remittances payable	2,321	-	2,321	3,272
Refundable deposits	14,320	-	14,320	21,570
Deferred contributions (Note 5)	220,743	-	220,743	259,806
	<u>301,243</u>	<u>-</u>	<u>301,243</u>	<u>356,863</u>
DEFERRED CONTRIBUTIONS RELATED TO PROPERTY (Note 5)	-	246,705	246,705	254,598
	<u>301,243</u>	<u>246,705</u>	<u>547,948</u>	<u>611,461</u>
<b>FUND BALANCES</b>				
CAPITAL FUND	-	392,745	392,745	405,388
OPERATING FUND				
Internally restricted (Note 6)	286,570	-	286,570	189,628
Unrestricted	148,346	-	148,346	147,059
	<u>434,916</u>	<u>392,745</u>	<u>827,661</u>	<u>742,075</u>
	<u>\$ 736,159</u>	<u>\$ 639,450</u>	<u>\$ 1,375,609</u>	<u>\$ 1,353,536</u>

APPROVED BY THE BOARD OF DIRECTORS:

\_\_\_\_\_  
Director

# CHILDREACH CENTRE

Statement of Operations and Changes in Fund Balances  
For the nine month period ended December 31, 2016  
(Comparative figures for the twelve months ended March 31, 2016)

	Operating Fund	Capital Fund	December 31 2016	March 31 2016
REVENUE (Schedule)	\$ 1,225,663	\$ 7,893	\$ 1,233,556	\$ 1,279,407
EXPENSES				
Salaries	682,715	-	682,715	812,914
Program delivery	239,008	-	239,008	129,022
Benefits	88,481	-	88,481	109,640
Program support	44,137	-	44,137	31,854
Building and equipment	37,274	-	37,274	73,800
Administration and insurance	23,753	-	23,753	35,705
Amortization	2,102	18,433	20,535	26,212
Fundraising	12,067	-	12,067	14,641
	<u>1,129,537</u>	<u>18,433</u>	<u>1,147,970</u>	<u>1,233,788</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	96,126	(10,540)	85,586	45,619
Fund balances, beginning of period	336,687	405,388	742,075	696,456
Interfund transfers (Note 9)	<u>2,103</u>	<u>(2,103)</u>	-	-
Fund balances, end of period	\$ 434,916	\$ 392,745	\$ 827,661	\$ 742,075

# CHILDREACH CENTRE

## Statement of Cash Flows

For the nine month period ended December 31, 2016

(Comparative figures for the twelve months ended March 31, 2016)

	December 31 2016	March 31 2016
<b>Cash provided by (used in):</b>		
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses for the period	\$ 85,586	\$ 45,619
Add (deduct) non-cash items:		
Amortization	20,535	26,212
Amortization - deferred contributions relating to property	(7,893)	(10,524)
Change in non-cash working capital items related to operations (Note 7)	(50,480)	54,794
	<u>47,748</u>	<u>116,101</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	-	(14,017)
<b>INCREASE IN CASH DURING THE PERIOD</b>	<u>47,748</u>	<u>102,084</u>
Cash, beginning of period	<u>657,153</u>	<u>555,069</u>
<b>CASH, END OF PERIOD</b>	<u>\$ 704,901</u>	<u>\$ 657,153</u>

# CHILDREACH CENTRE

## Schedule of Revenue

For the nine month period ended December 31, 2016

(Comparative figures for the twelve months ended March 31, 2016)

	Operating Fund	Capital Fund	December 31 2016	March 31 2016
<b>GOVERNMENT FUNDING</b>				
Government funding	\$ 729,783	-	729,783	960,300
<b>NON-GOVERNMENT FUNDING</b>				
Special project	208,695	-	208,695	113,925
Deferred contributions revenue (Note 5)	183,537	7,893	191,430	79,463
Program	34,613	-	34,613	21,564
Donations	25,450	-	25,450	24,334
Fundraising	23,198	-	23,198	52,480
Other	15,605	-	15,605	20,439
Interest and investment income	3,632	-	3,632	5,342
Rental	1,150	-	1,150	1,560
	495,880	7,893	503,773	319,107
	<u>\$ 1,225,663</u>	<u>\$ 7,893</u>	<u>\$ 1,233,556</u>	<u>\$ 1,279,407</u>

# CHILDREACH CENTRE

Notes to Financial Statements  
December 31, 2016

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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. CHANGE IN YEAR-END

The Centre received approval to have its fiscal year-end changed to December 31 from March 31. These financial statements reflect activity for the nine months ended December 31, 2016 with corresponding figures for the twelve months ended March 31, 2016.

## 3. 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.

# CHILDREACH CENTRE

Notes to Financial Statements  
December 31, 2016

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## 3. 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. 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.



# CHILDREACH CENTRE

Notes to Financial Statements  
December 31, 2016

## 4. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Net	
			December 31 2016	March 31 2016
Land	\$ 60,000	\$ -	\$ 60,000	\$ 60,000
Buildings	1,148,144	578,973	569,171	587,604
Vehicles	14,017	3,738	10,279	12,382
	<u>\$ 1,222,161</u>	<u>\$ 582,711</u>	<u>\$ 639,450</u>	<u>\$ 659,986</u>

## 5. 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:

	December 31 2016	March 31 2016
Balance - beginning of year	\$ 259,806	\$ 194,780
Less: Amounts recognized as revenue in the year	(183,537)	(68,939)
Add: Amounts received relating to subsequent years	144,474	133,965
Balance- end of year	<u>\$ 220,743</u>	<u>\$ 259,806</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:

	December 31 2016	March 31 2016
Balance - beginning of year	\$ 254,598	\$ 265,122
Less: Amounts amortized to revenue	(7,893)	(10,524)
Balance - end of year	<u>\$ 246,705</u>	<u>\$ 254,598</u>

# CHILDREACH CENTRE

Notes to Financial Statements  
December 31, 2016

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## 6. INTERNALLY RESTRICTED - OPERATING FUND

The board of directors has approved internal restrictions in the operating fund totaling \$286,570 (March 31, 2016 - \$189,628) including the restriction of \$96,000 in the current year. The approved restrictions include interest earned on the funds in the current period of \$942 (March 31, 2016 - \$1,475) as follows:

- a) \$223,109 (March 31, 2016 - \$126,481) for the establishment of an emergency reserve, and
- b) \$63,461 (March 31, 2016 - \$63,147) for the establishment of a capital replacement reserve.

## 7. STATEMENT OF CASH FLOWS

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

	December 31 2016	March 31 2016
<b>(INCREASE) DECREASE IN CURRENT ASSETS:</b>		
Accounts receivable	\$ 6,812	\$ 1,567
Prepaid expenses	(1,673)	3,637
<b>INCREASE (DECREASE) IN CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities	(8,355)	(15,954)
Government remittances payable	(951)	518
Refundable deposits	(7,250)	-
Deferred contributions	(39,063)	65,026
Net change	<u>\$ (50,480)</u>	<u>\$ 54,794</u>

## 8. 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 \$761 as at December 31, 2016 .

## 9. INTERFUND TRANSFERS

During the period, \$2,103 was transferred from the operating fund to the capital fund for amortization of a vehicle purchased in a prior year.

# CHILDREACH CENTRE

Notes to Financial Statements

December 31, 2016

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## 10. 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 is exposed to credit risk with regards to its accounts receivable. A substantial portion of the Centre's receivables are derived from government founders as well as a distribution from an endowment fund managed by a local non-profit organization, all of which are considered highly creditworthy.

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.



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## **CHILDREACH CENTRE**

Supplementary Information

December 31, 2016

## 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 as at December 31, 2016 and for the period ended December 31, 2016.

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  
June 1, 2017

*Ford Keast LLP*

**Chartered Professional Accountants  
Licensed Public Accountants**

## CHILDREACH CENTRE

Revenue and Expenses

Ministry of Education Funding

For the nine month period ended December 31, 2016

	December 31 2016	March 31 2016
<b>REVENUE</b>		
Ministry of Education	\$ 691,203	\$ 921,604
<b>EXPENSES</b>		
Salaries	437,682	601,765
Rent, lease and accommodation	76,911	103,453
Benefits	58,381	86,530
Other supplies and equipment	43,177	35,930
Services related to repairs and maintenance	17,914	42,846
Advertising and promotion	13,518	685
Professional/contracted out IT services	9,832	6,517
General office	8,590	8,289
Professional/contracted out services	6,138	13,270
Insurance	6,049	7,552
Other expenditures	4,197	4,394
Staff training	3,861	1,200
Travel	2,639	3,273
Communication	2,367	2,894
Supplies related to repairs and maintenance	708	2,987
Purchased client services	-	806
	<u>691,964</u>	<u>922,391</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	\$ (761)	\$ (787)