Financial Statements of

CHILDREN FIRST SOCIETY

Year ended March 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Members of Children First Society

We have audited the accompanying financial statements of Children First Society, which comprise the statement of financial position as at March 31, 2016, the statements of operations, changes in net assets (deficiency) and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider internal control 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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Basis for Qualified Opinion

In common with many not-for-profit organizations, Children First Society 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 Children First Society. Therefore, we were not able to determine whether, as at and for the years ended March 31, 2016 and March 31, 2015, any adjustments might be necessary to donations and fundraising revenue and excess (deficiency) of revenue over expenses reported in the statement of operations, excess (deficiency) or revenue over expenses reported in the statement of cash flows and current assets and unrestricted net assets reported in the statement of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2015.

Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Children First Society as at March 31, 2016, and its results of operations, changes in net assets (deficiency) and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants

August 23, 2016

Edmonton, Canada

CHILDREN FIRST SOCIETY

Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash	$ 160,945	$ 60,889
Accounts receivable (note 2)	102,412	40,123
Goods and services tax recoverable	5,490	132,819
Prepaid expenses and deposits	7,389	2,500
	276,236	236,331
Capital assets (note 3)	92,929	78,549
	$ 369,165	$ 314,880
Liabilities and Net Assets (Deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	$ 137,275	$ 260,665
Deferred revenue (note 5)	14,375	20,000
Program deposits	28,119	24,016
Loan payable (note 6)	50,648	50,000
	230,417	354,681
Unamortized deferred capital contributions (note 7)	25,625	-
	256,042	354,681
Net assets (deficiency):		
Invested in capital assets	67,304	78,549
Internally restricted (note 8)	-	129,117
Unrestricted (deficiency)	45,819	(247,467)
	113,123	(39,801)
Commitments (note 9)		
	$ 369,165	$ 314,880

See accompanying notes to financial statements.

On behalf of the Society:

______________________ Chairperson

______________________ Treasurer

CHILDREN FIRST SOCIETY

Statement of Operations

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Revenue:		
Contributions:		
Government of the Northwest Territories	$ 390,137	$ 312,623
Gwich'in Tribal Council	122,885	110,241
Inuvialuit Regional Corporation	93,277	80,840
Town of Inuvik	32,672	-
Other contributions	-	36,808
	638,971	540,512
Program fees	663,534	638,144
Donations	11,791	75,121
Fundraising	46,889	51,285
Lottery revenue	79,687	43,025
Insurance recoveries	32,782	-
	1,473,654	1,348,087
Expenses:		
Wages and benefits	923,429	1,090,347
Utilities	79,679	60,489
Fundraising costs	54,288	45,127
Nutrition	49,185	72,139
Rent	36,000	120,850
Bank charges and interest	30,437	18,714
Program supplies	28,754	22,563
Consulting fees	22,572	-
Repairs and maintenance	21,227	28,561
Amortization of capital assets	15,710	19,638
Office supplies	9,682	10,711
Training	9,070	7,176
Professional fees	7,959	8,263
Telephone	7,808	10,933
Insurance	7,311	4,269
Advertising	6,979	-
Travel	6,421	3,178
Loss on disposal of capital assets	2,248	-
Program events	1,971	2,534
Bad debts	-	26,228
Property taxes	-	1,172
Freight and duties	-	510
	1,320,730	1,553,402
Excess (deficiency) of revenue over expenses	$ 152,924	$ (205,315)

See accompanying notes to financial statements.

CHILDREN FIRST SOCIETY

Statement of Changes in Net Assets (Deficiency)

Year ended March 31, 2016, with comparative information for 2015

	Invested in capital assets	Internally restricted	Unrestricted	2016	2015
Balance, beginning of year	$ 78,549	$ 129,117	$ (247,467)	$ (39,801)	$ 165,514
Excess (deficiency) of revenue over expenses	(17,958)	-	170,882	152,924	(205,315)
Purchase of capital assets with internal funds	6,713	-	(6,713)	-	-
Transfer from internally restricted net assets	-	(129,117)	129,117	-	-
Balance, end of year	$ 67,304	$ -	$ 45,819	$ 113,123	$ (39,801)

See accompanying notes to financial statements.

CHILDREN FIRST SOCIETY

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	$ 152,924	$ (205,315)
Items not involving cash:		
Amortization of capital assets	15,710	19,638
Loss on disposal of capital assets	2,248	-
(Increase) decrease in accounts receivable	(62,289)	45,812
Decrease in goods and services tax recoverable	127,329	2,958
(Increase) decrease in prepaid expenses and deposits	(4,889)	2,429
Increase (decrease) in accounts payable and accrued liabilities	(123,390)	86,855
Increase (decrease) in deferred revenue	(5,625)	10,797
Increase in program deposits	4,103	4,425
	106,121	(32,401)
Financing:		
Increase (decrease) in loan payable	648	(16,500)
Capital contributions during the year	25,625	-
	26,273	(16,500)
Investing:		
Purchase of capital assets	(32,338)	-
Increase (decrease) in cash	100,056	(48,901)
Cash, beginning of year	60,889	109,790
Cash, end of year	$ 160,945	$ 60,889

See accompanying notes to financial statements.

Children First Society ("the Society") is a Not-for-Profit Organization incorporated under the provisions of the Societies Act of the Northwest Territories. The Society provides childcare services to the Inuvik community. The Society is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met. The Society was incorporated on June 23, 2005. The child-centered program operations commenced in September 2013. The objectives of the Society are:

- To develop and maintain quality, reliable, affordable early childhood and after-school programs in the community of Inuvik, NWT.
- To develop and maintain a building location in the community of Inuvik which can be used for early childhood education; childcare; physical, cultural and social activities; professional development; and other child-centered activities.
- To optimize philosophical and physical integration with the kindergarten to Grade 6 (K-6) school program in the community of Inuvik.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CPA Canada Handbook.

(a) Revenue recognition:

The Society follows the deferral method of accounting for contributions which include donations and government grants. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized as revenue in the year in which the related expenses are recognized, service performed or the tangible capital assets are acquired. Contributions for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Interest and other income is recognized as revenue when earned.

1. Significant accounting policies (continued):

(b) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Society's ability to provide services, its carrying amount is written down to its residual value.

Furniture and equipment is amortized on a declining balance basis using a 20% amortization rate.

(c) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(d) Allocation of expenses:

The Society records a number of its expenses by program. The costs of each program include the costs of personnel, premises and other expenses that are directly related to providing the program.

The Society allocates certain of its general support expenses by identifying the appropriate basis of allocating each expense.

(e) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has not elected to carry any such financial instruments at fair value.

1. Significant accounting policies (continued):

(f) Financial instruments (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

2. Accounts receivable:

	2016	2015
Government of the Northwest Territories	$ 26,415	$ 8,532
Gwich'in Tribal Council	62,720	10,241
Inuvialuit Regional Corporation	13,277	20,000
CanNor	-	26,228
Other	-	1,350
	102,412	66,351
Less allowance for doubtful accounts	-	(26,228)
	$ 102,412	$ 40,123

3. Capital assets:

			2016	2015
	Cost	Accumulated Amortization	Net book value	Net book value
Furniture and equipment	$ 147,572	$ 54,643	$ 92,929	$ 78,549

Furniture and equipment additions in the amount of $25,625 were not in use and have not been amortized.

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $31,008 (2015 - $86,131), which includes amounts payable for GST and payroll related taxes.

5. Deferred revenue:

	2016	2015
Operating contributions:		
Inuvialuit Regional Corporation	$ -	$ 20,000
Capital contributions:		
Government of the Northwest Territories	14,375	-
	$ 14,375	$ 20,000

6. Loan payable:

The Society's loan payable is unsecured, bears interest at 0.7% and is repayable on demand.

7. Unamortized deferred capital contributions:

	2016	2015
Balance, beginning of year	$ -	$ -
Capital contributions during the year	25,625	-
Amortization of deferred capital contributions	-	-
Balance, end of year	$ 25,625	$ -

8. Internally restricted net assets:

Internally restricted net assets represented an amount related to Goods and Services Tax recoverable that was not received at the end of the prior year that was internally restricted by the Board of Directors. The outstanding amount was fully received in the current year.

9. Commitments:

At March 31, 2016, remaining minimum annual lease payments under an operating lease agreement with the Town of Inuvik expiring March 31, 2019 are $120,000 per year and aggregate to $360,000. At the option of either the lessor or lessee upon 30 days written notice parties can meet to modify the monthly payment to a new agreed amount.

Commencing July 1, 2016, the Town of Inuvik waived the requirement for lease payments to be made by the Society.

10. Financial risks and concentration of credit risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Society is exposed to credit risk with respect to the accounts receivable. The Society assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

(b) Liquidity risk:

Liquidity risk is the risk that the Society will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There has been no change to the risk exposures from 2015.

11. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

CHILDREN FIRST SOCIETY

Schedule of Program Revenue and Expenses

Year Ended March 31, 2016

	Healthy Children Initiative Community	Early Childhood Program Operations	Work Experience Wage Subsidy	Early Childhood Program Rent Subsidy	Aboriginal Skills and Training Employment Strategy (ASETS)	Language Nest	Town of Inuvik	MACA GNWT	Other GNWT	Other revenue/expenses	2016	2015
Revenue:												
Contributions:												
Government of the Northwest Territories	$ 54,115	$ 139,803	$ 27,424	$ 8,375	$ -	$ -	$ -	$ 49,673	$ 110,747	$ -	$ 390,137	$ 312,623
Gwich'in Tribal Council	-	-	-	-	122,885		-	-	-	-	122,885	110,241
Inuvialuit Regional Corporation	-	-	-	-	13,277	60,000	-	-	-	-	73,277	100,840
Town of Inuvik	-	-	-	-	-	-	32,672	-	-	-	32,672	-
Other contributions	-	-	-	-	-	-	-	-	-	-	-	36,808
	54,115	139,803	27,424	8,375	136,162	60,000	32,672	49,673	110,747	-	618,971	560,512
Deferred operating revenue, beginning of year	-	-	-	-	20,000	-	-	-	-	-	20,000	-
Deferred operating revenue, end of year	-	-	-	-	-	-	-	-	-	-	-	(20,000)
	54,115	139,803	27,424	8,375	156,162	60,000	32,672	49,673	110,747	-	638,971	540,512
Program fees	-	-	-	-	-	-	-	-	-	663,534	663,534	638,144
Donations	-	-	-	-	-	-	-	-	-	11,791	11,791	75,121
Fundraising	-	-	-	-	-	-	-	-	-	46,889	46,889	51,285
Lottery revenue	-	-	-	-	-	-	-	-	-	79,687	79,687	43,025
Insurance recoveries	-	-	-	-	-	-	-	-	-	32,782	32,782	-
	54,115	139,803	27,424	8,375	156,162	60,000	32,672	49,673	110,747	834,683	1,473,654	1,348,087
Expenses:												
Wages and benefits	18,085	139,803	27,424	-	156,162	60,000	32,672	37,000	-	452,283	923,429	1,090,347
Utilities	2,430	-	-	-	-	-	-	-	-	77,249	79,679	60,489
Fundraising costs	-	-	-	-	-	-	-	8,000	-	46,288	54,288	45,127
Nutrition	31,600	-	-	-	-	-	-	-	-	17,585	49,185	72,139
Rent	-	-	-	8,375	-	-	-	-	-	27,625	36,000	120,850
Bank charges and interest	-	-	-	-	-	-	-	-	-	30,437	30,437	18,714
Program supplies	2,000	-	-	-	-	-	-	-	-	26,754	28,754	22,563
Consulting fees	-	-	-	-	-	-	-	-	21,208	1,364	22,572	-
Repairs and maintenace	-	-	-	-	-	-	-	-	89,539	(68,312)	21,227	28,561
Amortization of capital assets	-	-	-	-	-	-	-	-	-	15,710	15,710	19,638
Office supplies	-	-	-	-	-	-	-	-	-	9,682	9,682	10,711
Training	-	-	-	-	-	-	-	-	-	9,070	9,070	7,176
Professional fees	-	-	-	-	-	-	-	4,673	-	3,286	7,959	8,263
Telephone	-	-	-	-	-	-	-	-	-	7,808	7,808	10,933
Insurance	-	-	-	-	-	-	-	-	-	7,311	7,311	4,269
Advertising	-	-	-	-	-	-	-	-	-	6,979	6,979	-
Travel	-	-	-	-	-	-	-	-	-	6,421	6,421	3,178
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	-	2,248	2,248	-
Program events	-	-	-	-	-	-	-	-	-	1,971	1,971	2,534
Bad debts	-	-	-	-	-	-	-	-	-	-	-	26,228
Property taxes	-	-	-	-	-	-	-	-	-	-	-	1,172
Freight and duties	-	-	-	-	-	-	-	-	-	-	-	510
	54,115	139,803	27,424	8,375	156,162	60,000	32,672	49,673	110,747	681,759	1,320,730	1,553,402
Excess (deficiency) of revenue over expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 152,924	$ 152,924	$ (205,315)