

Financial Statements of

# **CHILDREN FIRST SOCIETY**

Year ended March 31, 2017



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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, 2017, the statements of earnings, changes in net assets 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.



*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, 2017 and March 31, 2016, any adjustments might be necessary to donations and fundraising revenue and excess of revenue over expenses reported in the statement of operations, excess 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, 2016.

*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, 2017, and its results of operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*KPMG LLP*

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Chartered Professional Accountants

August 23, 2017

Edmonton, Canada

# CHILDREN FIRST SOCIETY

## Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
<b>Assets</b>		
Current assets:		
Cash	\$ 199,387	\$ 160,945
Accounts receivable (note 2)	256,293	102,412
Goods and services tax recoverable	10,272	5,490
Prepaid expenses and deposits	-	7,389
	<u>465,952</u>	<u>276,236</u>
Capital assets (note 3)	450,060	92,929
	<u>\$ 916,012</u>	<u>\$ 369,165</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 68,323	\$ 137,275
Deferred revenue (note 5)	4,150	14,375
Program deposits	41,075	28,119
Loan payable (note 6)	51,004	50,648
	<u>164,552</u>	<u>230,417</u>
Unamortized deferred capital contributions (note 7)	390,624	25,625
	<u>555,176</u>	<u>256,042</u>
Net assets:		
Invested in capital assets	59,436	67,304
Unrestricted	301,400	45,819
	<u>360,836</u>	<u>113,123</u>
Commitments (note 8)		
	<u>\$ 916,012</u>	<u>\$ 369,165</u>

See accompanying notes to financial statements.

On behalf of the Society:

\_\_\_\_\_ Chairperson

\_\_\_\_\_ Treasurer

# CHILDREN FIRST SOCIETY

## Statement of Earnings

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Contributions:		
Government of the Northwest Territories	\$ 400,746	\$ 390,137
Gwich'in Tribal Council	92,810	122,885
Inuvialuit Regional Corporation	80,000	93,277
Town of Inuvik	-	32,672
Other contributions	24,613	-
	598,169	638,971
Program fees	776,721	663,534
Donations	25,904	11,791
Fundraising	19,449	46,889
Lottery revenue	93,720	79,687
Amortization of deferred capital contributions	6,654	-
Recoveries and other income	11,600	32,782
	1,532,217	1,473,654
Expenses:		
Wages and benefits	788,595	923,429
Rent (note 8)	120,000	36,000
Fundraising costs	88,653	54,288
Utilities	70,351	79,679
Nutrition	58,782	49,185
Program supplies	31,506	28,754
Repairs and maintenance	28,519	21,227
Amortization of capital assets	18,773	15,710
Office and administration	17,799	9,682
Bank charges and interest	14,887	30,437
Program events	8,968	1,971
Professional fees	8,400	7,959
Telephone	8,271	7,808
Insurance	8,018	7,311
Training	4,882	9,070
Licenses and subscriptions	4,528	-
Bad debts	1,629	-
Freight and deliveries	1,212	-
Consulting fees	500	22,572
Advertising and promotion	231	6,979
Vehicles	-	6,421
Loss on disposal of capital assets	-	2,248
	1,284,504	1,320,730
Excess of revenue over expenses	\$ 247,713	\$ 152,924

See accompanying notes to financial statements.

# CHILDREN FIRST SOCIETY

## Statement of Changes in Net Assets

Year ended March 31, 2017, with comparative information for 2016

	Invested in capital assets	Internally restricted	Unrestricted	2017	2016
Balance, beginning of year	\$ 67,304	\$ -	\$ 45,819	\$ 113,123	\$ (39,801)
Excess (deficiency) of revenue over expenses	(18,773)	-	266,486	247,713	152,924
Purchase of capital assets with internal funds	10,905	-	(10,905)	-	-
Balance, end of year	\$ 59,436	\$ -	\$ 301,400	\$ 360,836	\$ 113,123

See accompanying notes to financial statements.

# CHILDREN FIRST SOCIETY

## Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 247,713	\$ 152,924
Items not involving cash:		
Amortization of capital assets	25,427	15,710
Amortization of deferred capital contributions	(6,654)	-
Loss on disposal of capital assets	-	2,248
Increase in accounts receivable	(153,881)	(62,289)
Decrease (increase) in goods and services tax recoverable	(4,782)	127,329
Decrease (increase) in prepaid expenses and deposits	7,389	(4,889)
Increase in accounts payable and accrued liabilities	(68,952)	(123,390)
Decrease in deferred revenue	(10,225)	(5,625)
Increase in program deposits	12,956	4,103
	48,991	106,121
Financing:		
Increase in loan payable	356	648
Capital contributions during the year	371,653	25,625
	372,009	26,273
Investing:		
Purchase of capital assets	(382,558)	(32,338)
Increase in cash	38,442	100,056
Cash, beginning of year	160,945	60,889
Cash, end of year	\$ 199,387	\$ 160,945

See accompanying notes to financial statements.

# CHILDREN FIRST SOCIETY

Notes to Financial Statements

Year ended March 31, 2017

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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.



# CHILDREN FIRST SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 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.

Capital assets are amortized using the following methods and annual rates:

Asset	Method	Rate
Furniture and equipment	Declining balance	20%
Solar panel	Declining balance	15%
Pellet boiler	Declining balance	15%
Playground	Straight-line	10 years
Building improvements	Declining balance	4%
Parking lot	Declining balance	8%

(c) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Additionally, the Society receives donations of capital items. Because of the difficulty of determining the fair value, contributed services and donations in-kind are only recognized in the financial statements if the fair value can be reasonably determined.

(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.

# CHILDREN FIRST SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 1. Significant accounting policies (continued):

(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.

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:

	2017	2016
Government of the Northwest Territories	\$ 78,324	\$ 26,415
Gwich'in Tribal Council	53,449	62,720
Arctic Energy Alliance	20,000	13,277
CanNor	19,400	-
Other	85,120	-
	256,293	102,412
Less allowance for doubtful accounts	-	-
	\$ 256,293	\$ 102,412

# CHILDREN FIRST SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2017

### 3. Capital assets:

			2017	2016
	Cost	Accumulated Amortization	Net book value	Net book value
Furniture and equipment	\$ 164,172	\$ 66,762	\$ 97,410	\$ 67,304
Solar panel	113,000	-	113,000	-
Pellet boiler	97,789	-	97,789	-
Playground	40,000	4,000	36,000	25,625
Building improvements	38,515	321	38,194	-
Parking lot	70,000	2,333	67,667	-
	<u>\$ 523,476</u>	<u>\$ 73,416</u>	<u>\$ 450,060</u>	<u>\$ 92,929</u>

Capital asset additions in the amount of \$252,389 (2016 - 25,625) are 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 \$3,939 (2016 - \$31,008), which includes amounts payable for GST and payroll related taxes.

### 5. Deferred revenue:

	2017	2016
Government of the Northwest Territories	\$ -	\$ 14,375
Arctic Energy Corporation	4,150	-
	<u>\$ 4,150</u>	<u>\$ 14,375</u>

### 6. Loan payable:

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

# CHILDREN FIRST SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 7. Unamortized deferred capital contributions:

	2017	2016
Balance, beginning of year	\$ 25,625	\$ -
Capital contributions during the year	371,653	25,625
Amortization of deferred capital contributions	(6,654)	-
Balance, end of year	\$ 390,624	\$ 25,625

## 8. Commitments:

At March 31, 2017, 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 \$240,000. 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.

## 9. 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 2016.

## 10. 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, 2017

	Healthy Children Initiative Community	Early Childhood Program Operations	Early Childhood Program Rent Subsidy	Aboriginal Skills and Training Employment Strategy (ASETS)	Language Nest	MACA GNWT	NGO Stabilization Funding	Other revenue/expenses	2017	2016
<b>Revenue:</b>										
Contributions:										
Government of the Northwest Territories	\$ 74,038	\$ 211,083	\$ 51,625	\$ -	\$ -	\$ 15,000	\$ 49,000	\$ -	\$ 400,746	\$ 390,137
Gwich'in Tribal Council	-	-	-	92,810	-	-	-	-	92,810	122,885
Inuvialuit Regional Corporation	-	-	-	20,000	60,000	-	-	-	80,000	93,277
Town of Inuvik	-	-	-	-	-	-	-	-	-	32,672
Other contributions	-	-	-	-	-	-	-	24,613	24,613	-
	74,038	211,083	51,625	112,810	60,000	15,000	49,000	24,613	598,169	638,971
Program fees	-	-	-	-	-	-	-	776,721	776,721	663,534
Donations	-	-	-	-	-	-	-	25,904	25,904	11,791
Fundraising	-	-	-	-	-	-	-	19,449	19,449	46,889
Lottery revenue	-	-	-	-	-	-	-	93,720	93,720	79,687
Amortization of deferred capital contributions	-	-	-	-	-	-	-	6,654	6,654	-
Recoveries and other income	-	-	-	-	-	-	-	11,600	11,600	32,782
	74,038	211,083	51,625	112,810	60,000	15,000	49,000	958,661	1,532,217	1,473,654
<b>Expenses:</b>										
Wages and benefits	13,227	200,000	21,625	100,000	66,266	17,571	45,000	324,906	788,595	923,429
Rent	-	-	30,000	-	-	-	-	90,000	120,000	36,000
Fundraising costs	-	-	-	-	-	-	-	88,653	88,653	54,288
Utilities	-	6,083	-	12,810	-	-	-	51,458	70,351	79,679
Nutrition	58,174	-	-	-	-	-	-	608	58,782	49,185
Program supplies	-	-	-	-	-	-	-	31,506	31,506	28,754
Repairs and maintenance	2,187	-	-	-	-	-	-	26,332	28,519	21,227
Amortization of capital assets	-	-	-	-	-	-	-	18,773	18,773	15,710
Office and admin	-	5,000	-	-	-	-	3,466	9,333	17,799	9,682
Bank charges and interest	-	-	-	-	-	-	-	14,887	14,887	30,437
Program events	-	-	-	-	-	-	-	8,968	8,968	1,971
Professional fees	-	-	-	-	-	-	-	8,400	8,400	7,959
Telephone	-	-	-	-	-	-	-	8,271	8,271	7,808
Insurance	-	-	-	-	-	-	-	8,018	8,018	7,311
Training	-	-	-	-	-	-	-	4,882	4,882	9,070
Licenses and subscriptions	-	-	-	-	-	-	-	4,528	4,528	-
Bad debts	-	-	-	-	-	-	-	1,629	1,629	-
Freight and Deliveries	450	-	-	-	-	-	-	762	1,212	-
Consulting fees	-	-	-	-	-	-	500	-	500	22,572
Advertising	-	-	-	-	-	-	231	-	231	6,979
Vehicles	-	-	-	-	-	-	-	-	-	6,421
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	-	2,248
	74,038	211,083	51,625	112,810	66,266	17,571	49,197	701,914	1,284,504	1,320,730
<b>Excess (deficiency) of revenue over expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ (6,266)	\$ (2,571)	\$ (197)	\$ 256,747	\$ 247,713	\$ 152,924