

**DRAFT** Financial Statements of

# **CHILDREN FIRST SOCIETY**

Year ended March 31, 2015

## 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, 2015, 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 audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Children First Society as at March 31, 2015, 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.

*Comparative Information*

Without modifying our opinion, we draw attention to Note 10 to the financial statements which indicates that the comparative information presented as at and for the year ended March 31, 2014 has been restated.

The financial statements of Children First Society as at and for the year ended March 31, 2014, excluding the restatements described in Note 10 to the financial statements, were audited by another auditor who expressed an unmodified opinion on those financial statements on June 19, 2014.

As part of our audit of the financial statements as at and for the year ended March 31, 2015, we audited the restatements described in Note 10 to the financial statements that were applied to restate the comparative information presented as at and for the year ended March 31, 2014. In our opinion, the restatements are appropriate and have been properly applied.

We were not engaged to audit, review or apply any procedures to the March 31, 2014 financial statements other than with respect to the restatements described in Note 10 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

***DRAFT***

Chartered Accountants

July 28, 2015

Edmonton, Canada

# CHILDREN FIRST SOCIETY

Statement of Financial Position

**DRAFT**

March 31, 2015, with comparative information for 2014

	2015	2014 (Restated - note 10)
<b>Assets</b>		
Current assets:		
Cash	\$ 60,889	\$ 109,790
Accounts receivable (note 2)	56,854	85,935
Goods and services tax recoverable	132,819	135,777
Prepaid expenses and deposits	2,500	4,929
	<u>253,062</u>	<u>336,431</u>
Capital assets (note 3)	78,549	98,187
	<u>\$ 331,611</u>	<u>\$ 434,618</u>

## Liabilities and Net Assets (Deficiency)

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 260,665	\$ 173,810
Deferred revenue and contributions repayable (note 5)	36,731	9,203
Program deposits	24,016	19,591
Loan payable (note 6)	50,000	66,500
	<u>371,412</u>	<u>269,104</u>
Net assets (deficiency):		
Invested in capital assets	78,549	98,187
Internally restricted (note 7)	129,117	129,117
Unrestricted (deficiency)	<u>(247,467)</u>	<u>(61,790)</u>
	(39,801)	165,514
Commitments (note 8)		
	<u>\$ 331,611</u>	<u>\$ 434,618</u>

See accompanying notes to financial statements.

On behalf of the Society:

\_\_\_\_\_ Chairperson

\_\_\_\_\_ Treasurer

# CHILDREN FIRST SOCIETY

Statement of Operations

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Year ended March 31, 2015, with comparative information for 2014

	2015	2014 (Restated - note 10)
Revenue:		
Contributions:		
Government of the Northwest Territories	\$ 312,623	\$ 401,245
Gwich'in Tribal Council	110,241	117,692
Inuvialuit Regional Corporation	80,840	46,125
Aviva	-	50,000
Service Canada	-	25,000
Other contributions	36,808	13,393
	<u>540,512</u>	<u>653,455</u>
Program fees	638,144	389,928
Donations	75,121	24,298
Fundraising	51,285	203,407
Lottery revenue	43,025	67,224
	<u>1,348,087</u>	<u>1,338,312</u>
Expenses:		
Wages and benefits	1,090,347	720,171
Rent	120,850	575
Nutrition	72,139	48,849
Utilities	60,489	45,685
Fundraising costs	45,127	40,634
Repairs and maintenance	28,561	4,293
Bad debts	26,228	1,020
Program supplies	22,563	26,959
Amortization of capital assets	19,638	14,148
Bank charges and interest	18,714	4,094
Telephone	10,933	5,879
Office supplies	10,698	15,703
Professional fees	8,263	12,138
Training	7,176	15,573
Insurance	4,269	2,309
Miscellaneous	3,191	226
Program events	2,534	8,867
Property taxes	1,172	7,372
Freight and duties	510	-
ECE Early Childhood Program Start-up costs	-	99,368
	<u>1,553,402</u>	<u>1,073,863</u>
Loss on disposal of capital assets	-	128,090
	<u>1,553,402</u>	<u>1,201,953</u>
Excess (deficiency) of revenue over expenses	<u>\$ (205,315)</u>	<u>\$ 136,359</u>

See accompanying notes to financial statements.

# CHILDREN FIRST SOCIETY

Statement of Changes in Net Assets (Deficiency)

**DRAFT**

Year ended March 31, 2015, with comparative information for 2014

	Invested in capital assets	Internally restricted	Unrestricted	2015	2014 (Restated - note 10)
Balance, beginning of year (restated - note 10)	\$ 98,187	\$ 129,117	\$ (61,790)	\$ 165,514	\$ 29,155
Excess (deficiency) of revenue over expenses	(19,638)	-	(185,677)	(205,315)	136,359
Balance, end of year	\$ 78,549	\$ 129,117	\$ (247,467)	\$ (39,801)	\$ 165,514

See accompanying notes to financial statements.

# CHILDREN FIRST SOCIETY

Statement of Cash Flows

**DRAFT**

Year ended March 31, 2015, with comparative information for 2014

	2015	2014 (Restated - note 10)
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (205,315)	\$ 136,359
Items not involving cash:		
Amortization of capital assets	19,638	14,148
Loss on disposal of capital assets	-	128,090
Decrease in accounts receivable	29,081	34,576
Decrease (increase) in goods and services tax recoverable	2,958	(135,777)
Decrease in prepaid expenses and deposits	2,429	8,225
Increase (decrease) in accounts payable and accrued liabilities	86,855	(104,309)
Increase (decrease) in deferred revenue and contributions repayable	27,528	(3,505,925)
Increase in program deposits	4,425	19,591
	<u>(32,401)</u>	<u>(3,405,022)</u>
Financing:		
Repayments of loan payable	(16,500)	(1,689,428)
Investing:		
Purchase of capital assets	-	(83,180)
Proceeds from disposal of capital assets	-	5,247,748
	<u>-</u>	<u>5,164,568</u>
(Decrease) increase in cash	(48,901)	70,118
Cash, beginning of year	109,790	39,672
Cash, end of year	<u>\$ 60,889</u>	<u>\$ 109,790</u>

See accompanying notes to financial statements.

# CHILDREN FIRST SOCIETY

Notes to Financial Statements

**DRAFT**

Year ended March 31, 2015

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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)

**DRAFT**

Year ended March 31, 2015

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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.

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.

# CHILDREN FIRST SOCIETY

Notes to Financial Statements (continued)

**DRAFT**

Year ended March 31, 2015

## 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:

	2015	2014 (Restated - note 10)
Gwich'in Tribal Council	\$ 26,972	\$ 12,589
CanNor	26,228	50,000
Inuvialuit Regional Corporation	20,000	10,000
Government of the Northwest Territories	8,532	9,500
Other	1,350	3,846
	83,082	85,935
Less allowance for doubtful accounts	(26,228)	-
	\$ 56,854	\$ 85,935

# CHILDREN FIRST SOCIETY

Notes to Financial Statements (continued)

**DRAFT**

Year ended March 31, 2015

### 3. Capital assets:

	2015		2014 (Restated - note 10)	
	Cost	Accumulated Amortization	Net book value	Net book value
Furniture and equipment	\$ 119,625	\$ 41,076	\$ 78,549	\$ 98,187

### 4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$86,131 (2014 - \$25,933), which includes amounts payable for GST and payroll related taxes.

### 5. Deferred revenue and contributions repayable:

	2015		2014 (Restated - note 10)	
Deferred revenue:				
Inuvialuit Regional Corporation	\$	20,000	\$	-
Gwich'in Tribal Council		16,731		-
Contributions repayable:				
Government of the Northwest Territories		-		9,203
	\$	36,731	\$	9,203

### 6. Loan payable:

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

### 7. Internally restricted net assets:

Internally restricted net assets of \$129,117 (2014 - \$129,117) represent an amount related to Goods and Services Tax recoverable that has not been received at year end that has been internally restricted by the Board of Directors.

# CHILDREN FIRST SOCIETY

Notes to Financial Statements (continued)

**DRAFT**

Year ended March 31, 2015

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## 8. Commitments:

At March 31, 2015, minimum annual lease payments under operating leases with the Town of Inuvik expiring March 31, 2019 are \$120,000 and aggregate \$480,000 plus GST. 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 2014.

## 10. Restatements:

The comparative financial information has been restated to correct the following errors that were identified in the current year that related to prior years as follows:

- a) The Society did not appropriately account for capital assets and related liabilities and their ultimate transfer to the Town of Inuvik. On disposal of a capital asset, the difference between the net proceeds on disposal and the net carrying amount should be recognised in expenses in the statement of operations. The difference between the net proceeds on disposal and the net carrying amount was inappropriately recognised in revenue in the statement of operations;
- b) The Society inappropriately applied its accounting policies related to the purchase of capital assets. Purchased capital assets are recorded at cost. Certain capital assets were inappropriately expensed or not recorded;
- c) The Society inappropriately included amounts in deferred revenue that were not subject to external restrictions; and

# CHILDREN FIRST SOCIETY

Notes to Financial Statements (continued)

**DRAFT**

Year ended March 31, 2015

## 10. Restatements (continued):

- d) Certain other comparative information has been reclassified to conform to the financial statement presentation adopted in the current year.

The impact of the correction of errors in the current year on the comparative financial information is as follows:

	As previously recorded	Adjustments	As restated
<u>Statement of Financial Position</u>			
Capital assets	\$ 74,861	\$ 23,326	\$ 98,187
Deferred revenue and contributions repayable	(129,117)	117,914	9,203
Net assets:			
Invested in capital assets	(74,861)	(23,326)	(98,187)
Internally restricted	-	(129,117)	(129,117)
Unrestricted (deficiency)	(52,587)	(9,203)	(61,790)
<u>Statement of Operations</u>			
Operating contribution - GNWT	(410,448)	9,203	(401,245)
Capital contribution - GNWT	(1,100,000)	1,100,000	-
Capital contribution - CanNor	(500,000)	500,000	-
Capital contribution - Other	(139,966)	139,966	-
Transfer from (to) deferred revenue - capital	1,997,172	(1,997,172)	-
Equipment expense	46,360	(46,360)	-
ECE Early Childhood Program Start-up expense	136,188	(36,820)	99,368
Amortization of capital assets	-	14,148	14,148
Loss on disposal of capital assets	-	128,090	128,090
<u>Statement of Changes in Net Assets (Deficiency)</u>			
Balance, beginning of year	-	29,155	29,155
Excess (deficiency) of revenue over expenses	(52,587)	188,946	136,359
Balance, end of year	(52,587)	218,101	165,514

**CHILDREN FIRST SOCIETY**

Schedule of Program Revenue and Expenses  
Year Ended March 31, 2015

	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	Other contributions	Other revenue/expenses	2015	2014
<b>Revenue:</b>										
Contributions:										
Government of the Northwest Territories	104,615	142,426	34,832	30,750	-	-	-	-	312,623	410,448
Gwich'in Tribal Council	-	-	-	-	126,972	-	-	-	126,972	117,692
Inuvialuit Regional Corporation	-	-	-	-	40,000	60,840	-	-	100,840	46,125
Aviva	-	-	-	-	-	-	-	-	-	50,000
Service Canada	-	-	-	-	-	-	-	-	-	25,000
Other contributions	-	-	-	-	-	-	36,808	-	36,808	13,393
Deferred revenue, beginning of year	-	-	-	-	-	-	-	-	-	-
Deferred revenue, end of year	-	-	-	-	(36,731)	-	-	-	(36,731)	-
Contribution repayments during the year*	-	-	-	-	-	-	-	-	-	(9,203)
	104,615	142,426	34,832	30,750	130,241	60,840	36,808	-	540,512	653,455
Program fees	-	-	-	-	-	-	-	638,144	638,144	389,928
Donations	-	-	-	-	-	-	-	75,121	75,121	24,298
Fundraising	-	-	-	-	-	-	-	51,285	51,285	203,407
Lottery revenue	-	-	-	-	-	-	-	43,025	43,025	67,224
	104,615	142,426	34,832	30,750	130,241	60,840	36,808	807,575	1,348,087	1,338,312
<b>Expenses:</b>										
Wages and benefits	5,231	142,426	33,575	-	120,000	60,840	36,808	691,467	1,090,347	720,171
Rent	-	-	-	30,750	-	-	-	90,100	120,850	575
Nutrition	64,384	-	-	-	-	-	-	7,755	72,139	48,849
Utilities	-	-	-	-	-	-	-	60,489	60,489	45,685
Fundraising costs	-	-	-	-	-	-	-	45,127	45,127	40,634
Repairs and maintenance	15,000	-	-	-	10,241	-	-	3,320	28,561	4,293
Bad debts	-	-	-	-	-	-	-	26,228	26,228	1,020
Program supplies	20,000	-	1,257	-	-	-	-	1,306	22,563	26,959
Amortization of capital assets	-	-	-	-	-	-	-	19,638	19,638	14,148
Bank charges and interest	-	-	-	-	-	-	-	18,714	18,714	4,094
Telephone	-	-	-	-	-	-	-	10,933	10,933	5,879
Office supplies	-	-	-	-	-	-	-	10,698	10,698	15,703
Professional fees	-	-	-	-	-	-	-	8,263	8,263	12,138
Training	-	-	-	-	-	-	-	7,176	7,176	15,573
Insurance	-	-	-	-	-	-	-	4,269	4,269	2,309
Miscellaneous	-	-	-	-	-	-	-	3,191	3,191	226
Program events	-	-	-	-	-	-	-	2,534	2,534	8,867
Property taxes	-	-	-	-	-	-	-	1,172	1,172	7,372
Freight and duties	-	-	-	-	-	-	-	510	510	-
ECE Early Childhood Program Start-up costs	-	-	-	-	-	-	-	-	-	99,368
	104,615	142,426	34,832	30,750	130,241	60,840	36,808	1,012,890	1,553,402	1,073,863
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	-	128,090
	104,615	142,426	34,832	30,750	130,241	60,840	36,808	1,012,890	1,553,402	1,201,953
<b>Excess (deficiency) of revenue over expenses</b>	-	-	-	-	-	-	-	(205,315)	(205,315)	136,359

\* The amount of \$9,203 was repaid to the Government of the Northwest Territories during the year.