

Financial Statements of

**CHILDREN FIRST SOCIETY**

Year ended March 31, 2018



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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, 2018, the statement of operations, 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, 2018 and March 31, 2017, any adjustments might be necessary to donations and fundraising revenue and excess of revenue over expenses reported in the statement of operations, excess of 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, 2017.

*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, 2018, and its results of operations, changes in 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

Edmonton, Canada

August 28, 2018

# CHILDREN FIRST SOCIETY

## Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 319,337	\$ 199,387
Accounts receivable (note 2)	291,612	256,293
Goods and services tax recoverable	21,780	10,272
Prepaid expenses and deposits	869	-
	<u>633,598</u>	<u>465,952</u>
Capital assets (note 3)	530,293	450,060
	<u>\$ 1,163,891</u>	<u>\$ 916,012</u>

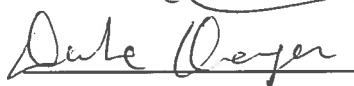
## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 121,145	\$ 68,323
Deferred revenue and contributions repayable (note 5)	27,281	4,150
Program deposits	43,152	41,075
Loan payable (note 6)	-	51,004
	<u>191,578</u>	<u>164,552</u>
Unamortized deferred capital contributions (note 7)	478,019	390,624
	<u>669,597</u>	<u>555,176</u>
Net assets:		
Invested in capital assets	52,274	59,436
Unrestricted	442,020	301,400
	<u>494,294</u>	<u>360,836</u>
Commitments (note 8)		
	<u>\$ 1,163,891</u>	<u>\$ 916,012</u>

See accompanying notes to financial statements.

On behalf of the Society:

 Co-Chairperson

 Treasurer

# CHILDREN FIRST SOCIETY

## Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Contributions:		
Government of the Northwest Territories	\$ 453,045	\$ 400,746
Gwich'in Tribal Council	160,333	92,810
Inuvialuit Regional Corporation	108,000	80,000
Town of Inuvik (note 6)	51,061	-
Other contributions	31,559	24,613
	<u>803,998</u>	<u>598,169</u>
Program fees	600,825	776,721
Lottery revenue	46,804	93,720
Amortization of deferred capital contributions (note 7)	40,058	6,654
Fundraising	37,598	19,449
Recoveries and other income	14,486	11,600
Donations	8,980	25,904
	<u>1,552,749</u>	<u>1,532,217</u>
Expenses:		
Wages and benefits	862,477	788,595
Rent (note 8)	120,000	120,000
Repairs and maintenance	87,499	28,519
Utilities	71,575	70,351
Nutrition	65,275	58,782
Amortization of capital assets	51,095	18,773
Fundraising costs	39,026	88,653
Program supplies	25,225	31,506
Professional fees	18,900	8,400
Office and administration	16,176	17,799
Bank charges and interest	16,119	14,887
Program events	13,041	8,968
Telephone	9,286	8,271
Training	8,400	4,882
Insurance	5,810	8,018
Licenses and subscriptions	5,625	4,528
Freight and deliveries	2,031	1,212
Advertising and promotion	1,428	231
Consulting fees	303	500
Bad debts	-	1,629
	<u>1,419,291</u>	<u>1,284,504</u>
Excess of revenue over expenses	<u>\$ 133,458</u>	<u>\$ 247,713</u>

See accompanying notes to financial statements.

# CHILDREN FIRST SOCIETY

## Statement of Changes in Net Assets

Year ended March 31, 2018, with comparative information for 2017

	Invested in capital assets	Internally restricted	Unrestricted	2018	2017
Balance, beginning of year	\$ 59,436	\$ -	\$ 301,400	\$ 360,836	\$ 113,123
Excess (deficiency) of revenue over expenses	(11,037)	-	144,495	133,458	247,713
Purchase of capital assets with internal funds	3,875	-	(3,875)	-	-
Balance, end of year	\$ 52,274	\$ -	\$ 442,020	\$ 494,294	\$ 360,836

See accompanying notes to financial statements.

# CHILDREN FIRST SOCIETY

## Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 133,458	\$ 247,713
Items not involving cash:		
Amortization of capital assets	51,095	18,773
Amortization of deferred capital contributions	(40,058)	(6,654)
Increase in accounts receivable	(35,319)	(153,881)
Increase in goods and services tax recoverable	(11,508)	(4,782)
(Increase) decrease in prepaid expenses and deposits	(869)	7,389
Increase (decrease) in accounts payable and accrued liabilities	52,822	(68,952)
Increase (decrease) in deferred revenue and contributions repayable	23,131	(10,225)
Increase in program deposits	2,077	12,956
	<u>174,829</u>	<u>42,337</u>
Financing:		
(Decrease) increase in loan payable	(51,004)	356
Capital contributions during the year, net	127,453	371,653
	<u>76,449</u>	<u>372,009</u>
Investing:		
Purchase of capital assets	(131,328)	(375,904)
Increase in cash and cash equivalents	119,950	38,442
Cash and cash equivalents, beginning of year	199,387	160,945
Cash and cash equivalents, end of year	<u>\$ 319,337</u>	<u>\$ 199,387</u>

See accompanying notes to financial statements.

# CHILDREN FIRST SOCIETY

Notes to Financial Statements

Year ended March 31, 2018

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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.

### (b) Cash and cash equivalents:

Cash and cash equivalents includes cash on hand, balances with banks and term deposits having a maturity of three months or less which are held for the purpose of meeting short-term cash commitments.



# CHILDREN FIRST SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2018

## 1. Significant accounting policies (continued):

### (c) 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%

### (d) 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.

### (e) 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.

### (f) 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, 2018

## 1. Significant accounting policies (continued):

### (g) 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:

	2018	2017
Government of the Northwest Territories	\$ 213,662	\$ 78,324
Gwich'in Tribal Council	68,808	53,449
Other	5,542	85,120
CanNor	3,600	19,400
Arctic Energy Alliance	-	20,000
	291,612	256,293
Less allowance for doubtful accounts	-	-
	\$ 291,612	\$ 256,293

# CHILDREN FIRST SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2018

### 3. Capital assets:

			2018	2017
	Cost	Accumulated Amortization	Net book value	Net book value
Furniture and equipment	\$ 164,172	\$ 79,463	\$ 84,710	\$ 97,410
Solar panel	155,000	16,469	138,531	113,000
Pellet boiler	133,658	6,683	126,975	97,789
Playground	93,459	12,301	81,158	36,000
Building improvements	38,515	1,849	36,666	38,194
Parking lot	70,000	7,747	62,253	67,667
	<u>\$ 654,804</u>	<u>\$ 124,512</u>	<u>\$ 530,293</u>	<u>\$ 450,060</u>

Capital asset additions in the amount of \$10,455 (2017 - \$252,389) 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 \$3,635 (2017 - \$3,939), which includes amounts payable for GST and payroll related taxes.

### 5. Deferred revenue and contributions repayable:

			2018	2017
Government of the Northwest Territories		\$ 25,000	\$ -	
Arctic Energy Corporation		2,281	4,150	
		<u>\$ 27,281</u>	<u>\$ 4,150</u>	

Contributions received from the Government of the Northwest Territories in the amount of \$25,000 (2017 - \$nil) are repayable at March 31, 2018.

### 6. Loan payable:

The loan payable to the Town of Inuvik was unsecured and bore interest at 0.7% per annum. During the year, the loan payable was repaid with a contribution from the Town of Inuvik.

# CHILDREN FIRST SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2018

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## 7. Unamortized deferred capital contributions:

	2018	2017
Balance, beginning of year	\$ 390,624	\$ 25,625
Capital contributions during the year, net	127,453	371,653
Amortization of deferred capital contributions	(40,058)	(6,654)
Balance, end of year	\$ 478,019	\$ 390,624

## 8. Commitments:

At March 31, 2018, remaining minimum annual lease payments under an operating lease agreement with the Town of Inuvik expiring March 31, 2019 are \$120,000 per year. 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 2017.

## 10. Comparative information:

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