

Financial Statements of

CHILDREN FIRST SOCIETY

Year ended March 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Members of Children First Society

Qualified Opinion

We have audited the financial statements of Children First Society (the Entity), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Entity 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 the Entity. Therefore, we were not able to determine whether any adjustments might be necessary to the current assets reported in the statements of financial position as at March 31, 2019 and 2018, the donations and fundraising revenue and excess of revenue over expenses reported in the statements of operations for the years ended March 31, 2019 and 2018, the unrestricted net assets, at the beginning of the year, reported in the statements of changes in net assets for the years ended March 31, 2019 and 2018, and the excess of revenue over expenses reported in the statement of cash flows for the years ended March 31, 2019 and 2018. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2018.



We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Edmonton, Canada

September 24, 2019

CHILDREN FIRST SOCIETY

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 363,777	\$ 319,337
Accounts receivable (note 2)	114,528	291,612
Goods and services tax recoverable	14,076	21,780
Money market securities (note 3)	285,000	-
Prepaid expenses and deposits	869	869
	<u>778,250</u>	<u>633,598</u>
Capital assets (note 4)	468,094	530,293
	<u>\$ 1,246,344</u>	<u>\$ 1,163,891</u>

Liabilities and Net Assets

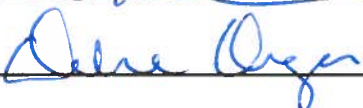
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 84,468	\$ 121,145
Deferred revenue and contributions repayable (note 5)	27,281	27,281
Program deposits	79,065	43,152
	<u>190,814</u>	<u>191,578</u>
Unamortized deferred capital contributions (note 7)	424,649	478,019
	<u>615,463</u>	<u>669,597</u>
Net assets:		
Invested in capital assets	43,445	52,274
Unrestricted	587,436	442,020
	<u>630,881</u>	<u>494,294</u>
Commitments (note 8)		
	<u>\$ 1,246,344</u>	<u>\$ 1,163,891</u>

See accompanying notes to financial statements.

On behalf of the Society:



Chairperson



Treasurer

CHILDREN FIRST SOCIETY

Statement of Operations

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Contributions:		
Government of the Northwest Territories	\$ 529,793	\$ 453,045
Gwich'in Tribal Council	88,728	160,333
Inuvialuit Regional Corporation	50,000	80,000
Town of Inuvik	38,040	51,061
Other contributions	27,256	31,559
	<u>733,817</u>	<u>775,998</u>
Program fees	672,285	600,825
Lottery revenue	29,414	46,804
Amortization of deferred capital contributions (note 7)	53,370	40,058
Fundraising	33,294	37,598
Recoveries and other income	28,249	42,486
Donations	11,544	8,980
	<u>1,561,973</u>	<u>1,552,749</u>
Expenses:		
Wages and benefits	877,084	862,477
Rent (note 8)	120,000	120,000
Utilities	74,973	71,575
Nutrition	69,226	65,275
Amortization of capital assets	62,199	51,095
Program supplies	36,528	25,225
Office and administration	31,561	16,176
Fundraising costs	26,019	39,026
Bank charges and interest	24,693	16,119
Training	20,757	8,400
Repairs and maintenance	18,538	87,499
Professional fees	12,840	18,900
Consulting fees	12,249	303
Program events	9,085	13,041
Bad debts	8,411	-
Telephone	8,289	9,286
Insurance	6,224	5,810
Licenses and subscriptions	4,104	5,625
Freight and deliveries	1,941	2,031
Advertising and promotion	665	1,428
	<u>1,425,386</u>	<u>1,419,291</u>
Excess of revenue over expenses	<u>\$ 136,587</u>	<u>\$ 133,458</u>

See accompanying notes to financial statements.

CHILDREN FIRST SOCIETY

Statement of Changes in Net Assets

Year ended March 31, 2019, with comparative information for 2018

	Invested in capital assets	Internally restricted	Unrestricted	2019	2018
Balance, beginning of year	\$ 52,274	\$ -	\$ 442,020	\$ 494,294	\$ 360,836
Excess (deficiency) of revenue over expenses	(8,829)	-	145,416	136,587	133,458
Balance, end of year	\$ 43,445	\$ -	\$ 587,436	\$ 630,881	\$ 494,294

See accompanying notes to financial statements.

CHILDREN FIRST SOCIETY

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 136,587	\$ 133,458
Items not involving cash:		
Amortization of capital assets	62,199	51,095
Amortization of deferred capital contributions	(53,370)	(40,058)
Decrease (increase) in accounts receivable	177,084	(35,319)
Decrease (increase) in goods and services tax recoverable	7,704	(11,508)
Increase in prepaid expenses and deposits	-	(869)
(Decrease) increase in accounts payable and accrued liabilities	(36,677)	52,822
Increase in deferred revenue and contributions repayable	-	23,131
Increase in program deposits	35,913	2,077
	<u>329,440</u>	<u>174,829</u>
Financing:		
Decrease in loan payable	-	(51,004)
Capital contributions received during the year	-	127,453
	-	<u>76,449</u>
Investing:		
Purchase of money market securities	(285,000)	-
Purchase of capital assets	-	(131,328)
	<u>44,440</u>	<u>119,950</u>
Increase in cash and cash equivalents	44,440	119,950
Cash and cash equivalents, beginning of year	319,337	199,387
Cash and cash equivalents, end of year	<u>\$ 363,777</u>	<u>\$ 319,337</u>

See accompanying notes to financial statements.

CHILDREN FIRST SOCIETY

Notes to Financial Statements

Year ended March 31, 2019

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, 2019

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, 2019

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:

	2019	2018
Government of the Northwest Territories	\$ 101,603	\$ 213,662
Gwich'in Tribal Council	-	68,808
Town of Inuvik	9,680	-
Other	8,056	5,542
CanNor	-	3,600
	119,339	291,612
Less allowance for doubtful accounts	(4,811)	-
	\$ 114,528	\$ 291,612

CHILDREN FIRST SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2019

3. Money market securities:

The money market securities are comprised of GICs which have stated interest rates of approximately 1.8 to 2.5% and maturity date of November 14, 2019.

4. Capital assets:

			2019	2018
	Cost	Accumulated Amortization	Net book value	Net book value
Furniture and equipment	\$ 164,173	\$ 89,890	\$ 74,283	\$ 84,710
Solar panel	155,000	37,250	117,750	138,531
Pellet boiler	133,658	25,729	107,929	126,975
Playground	93,459	17,800	75,659	81,158
Building improvements	38,515	3,315	35,200	36,666
Parking lot	70,000	12,727	57,273	62,253
	<u>\$ 654,805</u>	<u>\$ 186,711</u>	<u>\$ 468,094</u>	<u>\$ 530,293</u>

Capital asset additions in the amount of \$nil (2018 - \$10,455) are not in use and have not been amortized.

5. Deferred revenue and contributions repayable:

			2019	2018
Government of the Northwest Territories		\$ 25,000	\$ 25,000	
Arctic Energy Corporation		2,281	2,281	
		<u>\$ 27,281</u>	<u>\$ 27,281</u>	

Contributions received from the Government of the Northwest Territories in the amount of \$25,000 (2018 - \$25,000) are repayable at March 31, 2019.

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$3,107 (2018 - \$3,635), which includes amounts payable for GST and payroll related taxes.

CHILDREN FIRST SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2019

7. Unamortized deferred capital contributions:

	2019	2018
Balance, beginning of year	\$ 478,019	\$ 390,624
Capital contributions received during the year	-	127,453
Amortization of deferred capital contributions	(53,370)	(40,058)
Balance, end of year	\$ 424,649	\$ 478,019

8. Commitments:

At March 31, 2019, remaining minimum annual lease payments under an operating lease agreement with the Town of Inuvik expiring March 31, 2022 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 2018.