Childreach Centre

Financial Statements

Year Ended December 31, 2022

Ford Keast LLP
Chartered Professional Accountants
Bringing Solutions Together

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Independent Auditor's Report

To the Directors of Childreach Centre

Opinion
We have audited the financial statements of Childreach Centre ("the Centre"), which comprise the Statement of Financial Position as at December 31, 2022, and the Statements of Operations and Changes in Fund Balances and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Centre as at December 31, 2022 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Centre 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 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 Centre'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 Centre or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 these 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.

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- Obtain an understanding of internal control relevant to the Centre'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 Centre'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 Centre's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Centre 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 achieve fair presentation.

We 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.

Ford Keast LLP

London, Ontario
June 7, 2023

Chartered Professional Accountants
Licensed Public Accountants

Childreach Centre

Statement of Financial Position as at December 31, 2022

	Operating Fund	Capital Fund	2022	2021
Assets				
Current				
Cash - unrestricted	$ 45,505	$ -	$ 45,505	$ 678,733
Cash - internally restricted	1,738	-	1,738	4,494
Short-term investments - internally restricted	400,431	-	400,431	553,171
Marketable securities (Note 2)	767,167	-	767,167	-
Government remittances receivable	19,752	-	19,752	7,993
Accounts receivable	14,780	-	14,780	16,250
Prepaid expenses	28,434	-	28,434	7,312
	1,277,807	-	1,277,807	1,267,953
Property and equipment (Note 3)	-	508,257	508,257	508,371
	$ 1,277,807	$ 508,257	$ 1,786,064	$ 1,776,324
Liabilities				
Current				
Accounts payable and accrued liabilities	$ 65,804	$ -	$ 65,804	$ 56,135
Government remittances payable	-	-	-	838
Deferred contributions (Note 5)	376,056	-	376,056	279,855
	441,860	-	441,860	336,828
Deferred contributions related to property (Note 5)	-	183,561	183,561	194,085
	441,860	183,561	625,421	530,913
Fund balances				
Capital Fund	-	324,696	324,696	314,286
Operating Fund				
Internally restricted (Note 4)	400,431	-	400,431	557,665
Unrestricted	435,516	-	435,516	373,460
	835,947	324,696	1,160,643	1,245,411
	$ 1,277,807	$ 508,257	$ 1,786,064	$ 1,776,324

Approved by the Directors:

Deanna Baldwin

Director

Andrea Kelly

Director

The accompanying notes are an integral part of these financial statements.

Childreach Centre

Statement of Operations and Changes in Fund Balances
Year ended December 31, 2022

	Operating Fund	Capital Fund	2022	2021
Revenue (Schedule)	$ 1,326,492	$ 10,524	$ 1,337,016	$ 1,189,885
Expenses				
Salaries	801,479	-	801,479	795,723
Program delivery	312,340	-	312,340	118,242
Benefits	101,195	-	101,195	99,458
Administration and insurance	83,156	-	83,156	89,086
Building and equipment	55,840	-	55,840	49,038
Amortization	-	26,662	26,662	27,326
Investment management fees	4,489	-	4,489	-
Fundraising	-	-	-	3,032
	1,358,499	26,662	1,385,161	1,181,905
Net revenue (expense) before the following	(32,007)	(16,138)	(48,145)	7,980
Unrealized loss on investments (Note 2)	(20,213)	-	(20,213)	-
Realized loss on sale of investments	(16,410)	-	(16,410)	-
Net revenue (expense)	(68,630)	(16,138)	(84,768)	7,980
Fund balances, beginning of year	931,125	314,286	1,245,411	1,237,432
Interfund transfers (Note 7)	(26,548)	26,548	-	-
Fund balances, end of year	$ 835,947	$ 324,696	$ 1,160,643	$ 1,245,412

Childreach Centre

Statement of Cash Flows
Year ended December 31, 2022

	2022	2021
Cash provided by (used in):		
Operating activities		
Net revenue (expense)	$ (84,768)	$ 7,980
Add (deduct) non-cash items:		
Amortization	26,662	27,326
Amortization - deferred contributions relating to property	(10,524)	(10,524)
Unrealized loss on investments	20,213	-
Loss on sale of investments	16,410	-
Change in non-cash working capital items related to operations (Note 6)	73,620	(128,804)
	41,613	(104,022)
Investing activities		
Acquisition of property and equipment	(26,547)	-
Acquisition of marketable securities	(875,096)	-
Proceeds from sale of investments	71,306	-
Decrease (increase) in short-term investments	152,740	(6,636)
	(677,597)	(6,636)
Decrease in cash	(635,984)	(110,658)
Cash, beginning of year	683,227	793,885
Cash, end of year	$ 47,243	$ 683,227
Represented by:		
Cash - unrestricted	$ 45,505	$ 678,733
Cash - internally restricted	1,738	4,494
	$ 47,243	$ 683,227

Childreach Centre

Schedule of Revenue
Year ended December 31, 2022

	Operating Fund	Capital Fund	2022	2021
Government funding				
Municipal	$ 1,058,831	-	$ 1,058,831	$ 728,933
Federal	35,700	-	35,700	31,805
	1,094,531	-	1,094,531	760,738
Non-government funding				
Program	137,605	-	137,605	102,304
Sponsorships	38,061	-	38,061	-
Other	17,506	-	17,506	41,083
Donations	14,800	-	14,800	25,400
Interest	12,956	-	12,956	12,769
Deferred contributions revenue (Note 5)	-	10,524	10,524	231,549
Investment	8,279	-	8,279	-
Fundraising	2,754	-	2,754	16,042
	231,961	10,524	242,485	429,147
	$ 1,326,492	$ 10,524	$ 1,337,016	$ 1,189,885

Purpose of the Organization

Childreach Centre ("The Centre") is a not-for-profit organization operating supportive programs and resources for preschool children, parents and care givers as well as resource facilities and professional development to early childhood educators.

The Centre is incorporated under the Ontario Corporations Act without share capital. In addition, the Centre is a registered charity under the Canadian Income Tax Act and accordingly, is exempt from income taxes.

1. Significant Accounting Policies

The accompanying financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are summarized below.

Revenue Recognition

The Centre follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions covering specific operational periods are recognized as revenue on a prorated basis over the operational period. Special project, fundraising, program and all other revenues are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Fund Accounting

The accounts of the Centre are maintained in accordance with the principles of fund accounting. Under these principles, resources are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives.

Revenue and expenses related to program delivery and administrative activities are reported in the Operating Fund.

The Capital Fund reports the assets, liabilities, revenue and expenses related to capital assets and building campaign.

Cash and Cash Equivalents

Cash as disclosed on the Statement of Financial Position consist of cash on hand and balances with banks.

Short-term Investments

Short-term investments consist of high interest savings accounts with banks and guaranteed investment certificates with maturity dates within the next fiscal year.

1. Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is recorded at acquisition cost. Amortization is provided in the accounts using the straight-line method over the useful lives of the assets as follows:

Building	40 years
Vehicles	5 years
Computer equipment	3 years

Financial Instruments

Measurement of financial instruments:
The Centre initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The Centre subsequently measures all its financial assets and financial liabilities at amortized cost, except short-term investments and investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net revenue (expense).

Impairment:
Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down and any subsequent reversal is recognized in net revenue (expense).

Transaction costs:
The Centre recognizes its transactions costs in net revenue (expense) in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Contributed Services

Volunteers contribute many hours each year to assist the Organization in carrying out its activities. Due to the difficulty of determining fair value, contributed services are not recognized in the financial statements.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Specific management estimates include property and equipment useful lives and amortization methods, deferred revenues, non-monetary transactions and allowance for doubtful accounts. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in net revenue in the period in which they become known.

2. Marketable Securities

The marketable securities are recorded at fair market value based on published market quotations provided by a security dealer.

	2022	2021
Investments held (book value $787,380)	$ 767,167	$ -

Investments in marketable securities are comprised of cash, shares in money market funds, guaranteed investment certificates, equity index funds, and publicly traded companies in Canada and the United States. These investments are unrestricted. The unrealized loss on investments as at December 31, 2022 was $20,213.

3. Property and Equipment

	Cost	Accumulated Amortization	Net 2022	Net 2021
Land	$ 60,000	$ -	$ 60,000	$ 60,000
Building	1,148,144	726,434	421,710	446,286
Vehicles	28,264	28,264	-	2,085
Computer equipment	26,547	-	26,547	-
	$ 1,262,955	$ 754,698	$ 508,257	$ 508,371

4. Internally Restricted - Operating Fund

The Board of Directors have approved internal restrictions in the Operating Fund totaling $400,431 (2021 - $557,665) which includes interest earned on the funds. Interest earned in the current period is $5,350 (2021 - $6,650). The internally restricted funds are allocated as follows:

a) $332,072 (2021 - $490,306) for the establishment of an emergency reserve, and
b) $68,359 (2021 - $67,359) for the establishment of a capital replacement reserve.

During the year, the Board of Directors reduced the internally restricted reserve.

5. Deferred Contributions

Operating Fund:
Deferred contributions represent unspent resources externally restricted for operating funding received in the current period that are related to the subsequent period. Deferred contribution balances are as follows:

	2022	2021
Balance: beginning of year	$ 279,855	$ 329,806
Less: amounts recognized as revenue in the year	(173,311)	(221,025)
Add: amount recorded as payable in prior year but recognized in the current year	-	30,000
Add: amounts received relating to subsequent years	289,036	195,207
Less: amounts repaid to contributors in the year	(19,524)	(54,133)
Balance: end of year	$ 376,056	$ 279,855

Capital Fund:
Deferred contributions represent:

a) Donations and grants externally restricted for major capital renovation projects;
b) Government funding received and allocated for capital purchases.

Deferred contribution balances are amortized into revenue on the same basis as the related assets are amortized to expense. Deferred contributions related to property are as follows:

	2022	2021
Balance: beginning of year	$ 194,085	$ 204,609
Less: amounts amortized to revenue	(10,524)	(10,524)
Balance: end of year	$ 183,561	$ 194,085

6. Statement of Cash Flows

The change in non-cash working capital balances related to operations referred to in the statement is determined as follows:

	2022	2021
(Increase) decrease in current assets:		
Government remittances receivable	$ (11,759)	$ 314
Accounts receivable	1,470	(7,400)
Prepaid expenses	(21,122)	(938)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	9,668	(70,447)
Government remittances payable	(838)	(382)
Deferred contributions	96,201	(49,951)
Net change	$ 73,620	$ (128,804)

7. Interfund Transfers

During the year, $26,548 was transferred from the Operating Fund to the Capital Fund, representing the purchase of computer equipment.

8. Financial Instruments Risk Management

Transactions in financial instruments may result in financial risks being assumed by the Centre. The risks identified by the Centre are as follows:

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the Centre by failing to discharge its obligation or make repayment. The Centre does not provide credit in the normal course of its operations. However, it does have receivables from an endowment fund managed by a local non-profit organization. The Centre does not have any concentration of credit risk.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Centre is exposed to currency risk on investments as they include U.S. and other international equities in the amount of $112,168 (2021- $nil). While these funds are denominated for reporting purposes in Canadian dollars, the underlying securities are subject to foreign currency fluctuations on conversion to Canadian dollars.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Centre's high interest savings accounts and GICs are at market interest rates. Accordingly, the Centre's exposure to interest rate risk is dependent upon future market rates compared to rates currently established.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Centre is exposed to market risk through its investments in marketable securities. Refer to Note 2 for current values held in these investments.

It is management's belief that the Centre is not exposed to any significant liquidity risk.

During the year, the Centre began investing in equities, which results in exposure to market risk. Some of these equities are in US dollar currency, which results in exposure to currency risk. There have been no other changes in the nature, concentration or extent of the risk exposures from the prior year.

9. Reclassifications

Certain of the comparative amounts for the preceding year have been reclassified to conform with the Statement of Operations and Changes in Fund Balances presentation adopted for the current year.