

**KAYLA'S CHILDREN CENTRE**

**Financial Statements**

**Year Ended August 31, 2023**

**KAYLA'S CHILDREN CENTRE**

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**Year Ended August 31, 2023**

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## INDEPENDENT AUDITOR'S REPORT

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To the Directors of Kayla's Children Centre

### *Qualified Opinion*

We have audited the financial statements of Kayla's Children Centre (the "Organization"), which comprise the balance sheet as at August 31, 2023, and the statements of changes in fund balances, revenues and expenditures and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at August 31, 2023, and its results of operations 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 charitable organizations, the Organization derives certain of its revenue from the general public in the form of donations and other items promoting the Organization's charitable activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenues from these sources was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenues over expenditures, and cash flows from operating activities for the years ended August 31, 2023 and 2022, current assets as at August 31, 2023 and 2022, and fund balances as at August 31, 2023, September 1, 2022 and August 31, 2022, and September 1, 2021. Our audit opinion on the financial statements for the year ended August 31, 2022 was modified accordingly because of the possible effects of this limitation of scope.

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 Organization 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 audit 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 Organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

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

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*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.
- 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 Organization'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 Organization'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 Organization 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.

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.



**Chartered Professional Accountants  
Licensed Public Accountants**

Toronto, Ontario  
February 28, 2024

**KAYLA'S CHILDREN CENTRE**

**Balance Sheet**

**As at August 31, 2023**

	General Fund 2023	Capital Fund 2023	Total 2023	Total 2022
<b>ASSETS</b>				
<b>CURRENT</b>				
Cash	\$ 568,907	\$ 94,417	\$ 663,324	\$ 2,987,175
Investments <i>(Note 3)</i>	16,294	-	16,294	406,688
Grants and other accounts receivable <i>(Note 4)</i>	1,129,414	-	1,129,414	565,045
Interfund loan receivable <i>(Note 5)</i>	1,045,132	-	-	-
Public service body rebate recoverable	129,168	-	129,168	195,911
Prepaid expenses and sundry assets	10,142	-	10,142	64,240
	2,899,057	94,417	1,948,342	4,219,059
<b>AMOUNT DUE FROM RELATED PARTY <i>(Note 6)</i></b>	2,136,644	-	2,136,644	30,644
<b>PROPERTY AND EQUIPMENT <i>(Note 7)</i></b>	-	3,140,634	3,140,634	2,044,611
	\$ 5,035,701	\$ 3,235,051	\$ 7,225,620	\$ 6,294,314
<b>LIABILITIES</b>				
<b>CURRENT</b>				
Accounts payable and accrued liabilities	\$ 484,930	\$ -	\$ 484,930	\$ 1,658,856
Interfund loan payable <i>(Note 5)</i>	-	1,045,132	-	-
Deferred revenue and security deposits <i>(Note 8)</i>	516,226	10,000	526,226	205,908
	1,001,156	1,055,132	1,011,156	1,864,764
<b>FUND BALANCES</b>	4,034,545	2,179,919	6,214,464	4,429,550
	\$ 5,035,701	\$ 3,235,051	\$ 7,225,620	\$ 6,294,314

**CONTINGENT LIABILITIES *(Note 10)***

**LEASE COMMITMENT *(Note 11)***

**APPROVED ON BEHALF OF THE BOARD:**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

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

**KAYLA'S CHILDREN CENTRE**  
**Statement of Changes in Fund Balances**  
**For the Year Ended August 31, 2023**

	General Fund 2023	Capital Fund 2023	<b>Total 2023</b>	Total 2022
<b>FUND BALANCES - BEGINNING OF YEAR</b>	\$ 2,458,521	\$ 1,971,029	\$ 4,429,550	\$ 5,905,850
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	1,576,024	208,890	<b>1,784,914</b>	(1,476,300)
<b>FUND BALANCES - END OF YEAR</b>	\$ 4,034,545	\$ 2,179,919	\$ 6,214,464	\$ 4,429,550

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

**KAYLA'S CHILDREN CENTRE**  
**Statement of Revenues and Expenditures**  
**For the Year Ended August 31, 2023**

	General Fund 2023	Capital Fund 2023	Total 2023	Total 2022
<b>REVENUE</b>				
Program revenue <i>(Notes 9, 12)</i>	\$ 5,376,053	\$ -	\$ 5,376,053	\$ 4,398,479
Government grants <i>(Note 12)</i>	2,745,949	-	2,745,949	1,295,761
Charitable events	2,116,370	-	2,116,370	1,370,014
Donations	725,305	1,849,948	2,575,253	2,823,773
Therapy clinic revenue	876,952	-	876,952	745,362
Rental income	482,157	-	482,157	540,026
Non-government grant	132,800	-	132,800	123,959
Investment and other income	11,464	-	11,464	2,417
	12,467,050	1,849,948	14,316,998	11,299,791
<b>EXPENDITURES</b> <i>(Schedule 1)</i>	10,891,026	382,304	11,273,330	9,054,372
<b>EXCESS OF REVENUE OVER EXPENDITURES FROM OPERATIONS</b>	1,576,024	1,467,644	3,043,668	2,245,419
<b>OTHER ITEMS</b>				
Adjustments to net realizable value	-	-	-	83,766
Donations to related party <i>(Note 17)</i>	-	(1,258,754)	(1,258,754)	(3,805,485)
	-	(1,258,754)	(1,258,754)	(3,721,719)
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	\$ 1,576,024	\$ 208,890	\$ 1,784,914	\$ (1,476,300)

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

**KAYLA'S CHILDREN CENTRE**  
**Schedule of Expenditures**  
**For the Year Ended August 31, 2023**

**(Schedule 1)**

	General Fund 2023	Capital Fund 2023	Total 2023	Total 2022
Wages and benefits <i>(Note 13)</i>	\$ 8,182,074	\$ -	\$ <b>8,182,074</b>	\$ 6,941,562
Rent and utilities <i>(Notes 14, 17)</i>	776,833	-	<b>776,833</b>	769,500
Fundraising	472,116	-	<b>472,116</b>	258,192
Camp expenses	399,571	-	<b>399,571</b>	272,880
Office, general and supplies	338,102	-	<b>338,102</b>	201,291
School expenses	241,079	-	<b>241,079</b>	216,940
Repairs and maintenance	184,032	-	<b>184,032</b>	60,143
Credit card fees	117,988	-	<b>117,988</b>	105,951
Insurance	66,927	-	<b>66,927</b>	52,054
Professional fees	40,389	-	<b>40,389</b>	43,423
Pool expenses	18,650	-	<b>18,650</b>	-
Bank charges and interest	13,190	-	<b>13,190</b>	4,729
Bad debt expense	40,075	-	<b>40,075</b>	-
Amortization	-	382,304	<b>382,304</b>	127,707
	<b>\$ 10,891,026</b>	<b>\$ 382,304</b>	<b>\$ 11,273,330</b>	<b>\$ 9,054,372</b>

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



**KAYLA'S CHILDREN CENTRE**  
**Statement of Cash Flows**  
**For the Year Ended August 31, 2023**

	2023	2022
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenditures	\$ 1,784,914	\$ (1,476,300)
Items not affecting cash:		
Amortization	382,304	127,707
Donation of leasehold improvement to related company	226,368	2,940,092
	<b>2,393,586</b>	<b>1,591,499</b>
Changes in non-cash working capital:		
Prepaid expenses and sundry assets	54,098	(675)
Grants and other accounts receivable	(564,369)	(202,712)
Accounts payable and accrued liabilities	(1,173,926)	1,176,280
Deferred revenue and security deposits	320,318	82,663
Public service body rebate recoverable	66,744	(165,669)
Cash flow from operating activities	<b>1,096,451</b>	<b>2,481,386</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(1,704,697)	(1,600,296)
Increase in advances to related parties	(2,106,000)	(21,712)
Proceeds from redemption of guaranteed investment certificate	390,394	-
Cash flow used by investing activities	<b>(3,420,303)</b>	<b>(1,622,008)</b>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>(2,323,852)</b>	<b>859,378</b>
<b>CASH - BEGINNING OF YEAR</b>	<b>2,987,176</b>	<b>2,127,797</b>
<b>CASH - END OF YEAR</b>	<b>\$ 663,324</b>	<b>\$ 2,987,175</b>

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

**KAYLA'S CHILDREN CENTRE**  
**Notes to Financial Statements**  
**For the Year Ended August 31, 2023**

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**1. NATURE OF OPERATIONS**

Kayla's Children Centre (the "Organization", "Charity", or "KCC"), formerly known as Zareinu Educational Centre of Metropolitan Toronto, is a corporation without share capital formed by letters patent dated November 10, 1989. It is a registered charity operating a Jewish Day School and summer camp program for the developmentally handicapped in the City of Vaughan, Ontario.

The Charity is classified as a registered charity under Section 149.1 of the Income Tax Act (Canada). Since the Charity complies with the requirements specified by that Act, it is exempt from taxation and will continue to be exempt as long as it continues to comply.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not for Profit Organizations ("ASNPO"). To the extent Part III of the CPAC Handbook does not address certain matters applicable to the Organization, the Organization uses accounting standards for private enterprises contained in Part II of the CPAC Handbook. Outlined below are those policies considered particularly significant for the corporation.

Fund accounting

The Charity follows the restricted fund method of accounting for contributions. The Charity ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided, and are recognized in the year received, or receivable if the amount can be reasonably estimated and collection is reasonably assured. Management reserve the right to use internally-restricted funds at their discretion for general fund activities should the financial need arise.

The General Fund accounts for the Charity's general fundraising, charitable and administrative activities. This fund reports unrestricted resources available for immediate purposes.

The Capital Fund reports the assets, liabilities, revenues and expenditures related to the capital projects of the Charity.

Revenue recognition

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Restricted contributions for the purchase of property and equipment are recognized as revenue of the Capital Fund. Program revenue, fundraising revenue, revenue from other events and clinical therapy services are recognized in the fiscal year in which the relevant program and/or event takes place. Rental income is recognized on a straight-line basis over the term of the lease. Investment income is recognized when earned.

Donations

Donations include amounts donated that were not fully received due to rules imposed by Canada Revenue Agency concerning advantages received by the donors.

Contributed materials and services

Volunteers contribute a substantial number of hours each year to assist the Charity in carrying out its fundraising activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements. Contributed material, property and equipment and investments whose fair market value is determinable are recorded in the financial statements at those values.

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**KAYLA'S CHILDREN CENTRE**  
**Notes to Financial Statements**  
**For the Year Ended August 31, 2023**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Investments

Investments in Canadian securities and bonds are measured at fair value based on prevailing market rates. Revenue from investments represents interest, dividends and realized and unrealized gains and losses, net of safekeeping and investment management and other investment expenses.

Financial instruments

The Charity initially measures its financial assets and financial liabilities at fair value. The Charity subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash, investments, grants and other accounts receivable, interfund loan receivable, public service body rebate recoverable, and amount due from related party.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, interfund loan payable, and deferred revenue.

Impairment of financial instruments

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the resulting write-down, if any, is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

Property and equipment

Property and equipment are stated at cost less accumulated amortization. Amortization is provided on the diminishing balance basis designed to amortize the assets over their estimated useful lives. The amortization rates are as follows.

Computer equipment	- 30% declining balance method
Furniture and equipment	- 20% declining balance method
School bus	- 30% declining balance method
Leasehold improvements	- 4% straight line method
Model train	- 50% declining balance method

Impairment of long lived assets

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Government grants

Government grants are recognized as revenue when there is reasonable assurance that the Organization had complied with and will continue to comply with, all the necessary conditions to obtain the grants.

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**KAYLA'S CHILDREN CENTRE**  
**Notes to Financial Statements**  
**For the Year Ended August 31, 2023**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement uncertainty

The preparation of financial statements in conformity with Canadian ASNPO requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include the useful lives of property and equipment, allowance for doubtful accounts, and accruals, and are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Presentation of the controlled entity

The Charity has chosen not to consolidate the organization it controls but to instead disclose information about the resources of the controlled organization.

Pledges

Due to inherent uncertainty in the collectability of pledges, they are not recognized as revenue before being received.

**3. INVESTMENTS**

	<b>2023</b>	<b>2022</b>
Bonds	\$ 262	\$ 262
Guaranteed investment certificate	16,032	406,426
	\$ 16,294	\$ 406,688

**4. GRANTS AND OTHER ACCOUNTS RECEIVABLE**

	<b>2023</b>	<b>2022</b>
Program fees net of allowance of \$40,075 (2022 - \$nil)	\$ 290,926	\$ 334,343
Government grants	838,488	230,702
	\$ 1,129,414	\$ 565,045

**5. INTERFUND LOAN**

The interfund loan was approved by the Directors of the Charity, bears no interest and is not governed by terms of repayment.

**6. AMOUNT DUE FROM RELATED PARTY**

The amount due from Project Aim Programs (see Note 16) is unsecured, non-interest bearing and has no fixed repayment date. The parties have agreed not to demand repayment prior to September 1, 2024.

**KAYLA'S CHILDREN CENTRE**  
**Notes to Financial Statements**  
**For the Year Ended August 31, 2023**

**7. PROPERTY AND EQUIPMENT**

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Computer equipment	\$ 211,446	\$ 181,246	\$ 30,200	\$ 35,882
Furniture and equipment	623,679	361,942	261,737	228,589
School bus	101,260	86,308	14,952	21,360
Leasehold improvements (i)	2,690,369	86,741	2,603,628	1,298,545
Model train	511,372	281,255	230,117	460,235
	<b>\$ 4,138,126</b>	<b>\$ 997,492</b>	<b>\$ 3,140,634</b>	<b>\$ 2,044,611</b>

(i) The leasehold improvements relate to Project Aim Program's (a related party - see Note 16) building expansion which includes the Hydrotherapy Centre and improvements to related facilities. The Hydrotherapy Centre includes a specialized pool enclosed in a newly constructed building and improved related facilities on the existing land owned by Project Aim Programs. The construction costs of the pool, building and improvements to related facilities totaled approximately \$12 million and were financed primarily via government grants and contributions from the general public. Kayla's Children Centre reported \$2,690,369 of the construction costs as leasehold improvements and Project Aim Programs reported the remaining \$9,237,005 of the construction costs pertaining to the building expansion.

**8. DEFERRED REVENUE AND SECURITY DEPOSITS**

	2023	2022
<u>Deferred revenue</u>		
Balance, beginning of year	\$ 143,908	\$ 61,245
Less: amount recognized as revenue in the year	(134,284)	(61,245)
Plus: deferred revenue relating to following year (i)	454,602	143,908
	<b>464,226</b>	143,908
Plus: security deposits	62,000	62,000
Balance, end of year	<b>\$ 526,226</b>	<b>\$ 205,908</b>

(i) Included in deferred revenue as at August 31, 2023 are government grants of: (a) \$116,667 (2022 - \$nil) pertaining to the Workforce Capacity Fund administered by the Province of Ontario (b) \$86,168 (2022 - \$nil) pertaining to the Canada-Wide Early Learning and Child Care ("CWELCC") program administered by the municipality of York Region, and (c) \$38,889 (2022 - \$nil) pertaining to the Resilient Communities Fund administered by the Ontario Trillium Foundation. The remaining \$212,878 relates to deferred tuition revenue.

**9. PROGRAM REVENUE**

Included in program revenue is tuition income in the amount of \$1,578,897 (2022 - \$1,783,616) which represents the amount received or receivable from parents during the year. Total tuition charged by KCC (before considering subsidies and grant funds from the CWELCC program) was \$3,461,697 (2022 - \$3,287,550). The shortfall of \$1,882,800 (2022 - \$1,503,934) was covered via subsidies and grants that were financed through donations, charitable events income and government grants.

**KAYLA'S CHILDREN CENTRE**  
**Notes to Financial Statements**  
**For the Year Ended August 31, 2023**

**10. CONTINGENT LIABILITIES**

**Guarantee of Bank Loan**

The Charity is a guarantor for a bank loan to Project Aim Programs (see Note 16). The guarantee is for an unlimited amount. The loan payable matures on July 31, 2038. As at August 31, 2023, the balance outstanding in respect of the loan payable was \$1,675,000. The loan arose through Project Aim Program's acquisition of land and building. Should the debtor default on its obligations, the creditor may demand immediate payment of the loan and require the Company to pay any outstanding amounts owing.

**Pending Litigation**

The Charity is a defendant in a claim for damages in the amount of \$1 million. The plaintiff was an independent contractor of the Charity and has claimed that, in July 2018, she was involved in a physical incident with a special needs boy attending the Charity's facilities. The Charity has contested this claim. Neither the possible outcome nor the amount of possible settlement can be foreseen. Therefore, no provision has been made in the financial statements.

**11. LEASE COMMITMENT**

The Charity leases its premises located at 36 Atkinson Avenue in Vaughan, Ontario. The lease term is for a five year period from August 1, 2023 to July 31, 2028 with the option to extend for two further periods of five years each. Under the terms of the lease, the Charity is required to make minimum annual lease payments of \$1 million.

**12. GOVERNMENT ASSISTANCE**

	2023	2022
<u>Included in program revenue</u>		
Provincial	\$ 1,833,235	\$ 1,813,506
Federal	544,181	-
Municipal	389,881	153,271
	<u>2,767,297</u>	<u>1,966,777</u>
<u>Included in government grants</u>		
Federal	1,618,281	130,673
Municipal	868,721	856,092
Provincial (i)	258,947	308,996
	<u>2,745,949</u>	<u>1,295,761</u>
	<u>\$ 5,513,246</u>	<u>\$ 3,262,538</u>

(i) Included in Provincial government grants is \$83,333 (2022 - \$200,000) of amounts received in connection with Ontario Autism Program's Workforce Capacity Fund.

**13. WAGES AND BENEFITS**

Included in wages and benefits is \$83,333 (2022 - \$200,000) of amounts paid to staff in connection with Ontario Autism Program's Workforce Capacity Fund.

**KAYLA'S CHILDREN CENTRE**  
**Notes to Financial Statements**  
**For the Year Ended August 31, 2023**

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**14. NON-MONETARY TRANSACTIONS**

The Charity was in receipt of rent-free usage of premises from Yeshiva Ner Israel. Management estimates that the value of these transactions was \$6,000 (2022 - \$12,000). Additionally, the Charity received donated shares and other gifts in kind with a market value of \$439,696 (2022 - \$303,788).

**15. FINANCIAL INSTRUMENTS**

The significant financial risks to which the Charity is exposed are interest rate risk, liquidity risk, and credit risk.

***(a) Interest rate risk***

The Charity earns interest on interest-bearing assets and pays interest on interest-bearing liabilities. Interest rate risk arises due to the exposure to the effect of future changes in interest rates. The charity is exposed to interest rate risk arising from fluctuations in interest rates primarily on its revolving credit facility, depending on prevailing rates at renewal. In seeking to minimize the risks from interest rate fluctuations, the Charity manages exposure through its normal operating and financing activities.

***(b) Liquidity risk***

Liquidity risk is the risk that the charity will encounter difficulty in meeting obligations associated with financial liabilities. The Charity is exposed to liquidity risk arising from its accounts payable and accrued liabilities and its loans payable. The Charity's ability to meet obligations depends on receipt of funds in the form of revenues or advances.

***(c) Credit risk***

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Organization is exposed to credit risk from its program fees receivable. In order to reduce such credit risk, the Charity reviews the payer's credit history and considers establishing an allowance for doubtful accounts based upon factors surrounding the credit risk of specific accounts, historical trends, and other information.

**KAYLA'S CHILDREN CENTRE**  
**Notes to Financial Statements**  
**For the Year Ended August 31, 2023**

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**16. RELATED PARTIES**

**Project Aim Programs ("AIM")**

The Organization and Project Aim Programs are related as each of the entities are controlled by directors common to both entities. As at August 31, 2023, Project Aim Programs' assets, liabilities and fund balance totaled \$28,582,109, \$3,873,755 and \$24,708,354, respectively (2022 - \$27,987,479, \$4,197,019 and \$23,790,460, respectively). For the year ended August 31, 2023, Project Aim Programs' revenue and expenditures were \$2,317,985 and \$1,400,091, respectively (2022 - \$5,649,285 and \$1,332,527, respectively). For the year ended August 31, 2023, Project Aim Programs' cash flows from operating, investing, and financing activities were \$1,249,203 (inflow), \$1,127,267 (outflow) and \$167,168 (inflow), respectively (2022 - \$2,071,599 (inflow), \$4,027,152 (outflow) and \$238,097 (inflow), respectively). As at August 31, 2023, \$7,168,588 (2022 - \$7,394,220) and \$19,541,160 (2022 - \$16,022,828) of fund balance were restricted to Project Aim Programs' Endowment Fund and Capital Asset Fund, respectively, and there were no significant differences between the accounting policies of the Organization and of Project Aim Programs. As at August 31, 2023, the Organization had an economic interest in Project Aim Programs as it owns the real estate where the Organization operates.

Project Aim Programs is classified as a registered charity under Section 149.1 of the Income Tax Act (Canada). Since the organization complies with the requirements specified by that Act, it is exempt from taxation and will continue to be exempt as long as it continues to comply.

**ZEC Atkinson Inc.**

The Organization and ZEC Atkinson Inc. are related as KCC significantly influences ZEC Atkinson Inc. through common management.

ZEC Atkinson Inc. is a bare trustee owner of the property located at 36 Atkinson Avenue in Vaughan, Ontario. The beneficial owner of the property is AIM.

**17. RELATED PARTY TRANSACTIONS**

During the year ended August 31, 2023, donations were received from directors (directly or indirectly through corporations they control) in the aggregate amount of \$31,658 (2022 - \$23,800). Rent of \$770,833 (2022 - \$750,000) was paid to Project Aim Programs for the use of its building. Additionally, during the year, KCC donated \$1,258,754 to Project Aim Programs, including donations of property and equipment totaling \$226,368.

As indicated in Note 10 above, the Charity guaranteed Project Aim Programs' debt to the bank, and has not demanded any consideration in exchange for the guarantee.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**18. CAPITAL ASSET FUND BALANCE**

As at August 31, 2023, \$3,140,634 of the capital asset fund balance is externally restricted (2022 - \$3,214,515). The remaining balances of the capital asset fund are internally restricted. The balances in the capital asset fund are not available for any other purpose without approval of the Directors of the Charity.

**19. COMPARATIVE FIGURES**

Some of the comparative figures have been reclassified to conform to the current year's presentation.