

MILTON COMMUNITY RESOURCE CENTRE

FINANCIAL STATEMENTS

AS AT

DECEMBER 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Members
Milton Community Resource Centre

Opinion

We have audited the financial statements of Milton Community Resource Centre which comprise the balance sheet as at December 31, 2021, and the statements of changes in net assets, revenue and expenditure, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2021 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 Opinion

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 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 opinion.

Material Uncertainty Related to Going Concern

We draw your attention to Note 2 in the financial statements, which indicates the organization may be impacted by a potential material reduction to grant funding that may cast significant doubt on the entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 related 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.

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 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:

INDEPENDENT AUDITORS' REPORT, continued

- 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 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 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
Oakville, Ontario
June 17, 2022

MILTON COMMUNITY RESOURCE CENTRE

Balance sheet

As at December 31, 2021

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 1,492,005	1,535,992
Short-term investments	1,242,028	735,244
Accounts receivable (Note 5)	421,358	561,502
Prepaid expenses	102,703	89,590
	3,258,094	2,922,328
Capital assets (Note 6)	260,985	349,602
	\$ 3,519,079	3,271,930
Liabilities and operating reserve		
Current liabilities		
Accounts payable and accrued liabilities	\$ 301,850	246,936
Government remittances payable	74,280	64,409
Unutilized grants and advance billings (Note 7)	535,730	694,641
	911,860	1,005,986
Long-term liabilities		
Unutilized capital grants (Note 8)	130,448	157,051
	1,042,308	1,163,037
Net assets		
Operating reserve	2,476,771	2,108,893
	\$ 3,519,079	3,271,930

Contingent liability (Note 9)

Approved by the Board

Director

Director

MILTON COMMUNITY RESOURCE CENTRE

Statement of changes in net assets

For the year ended December 31, 2021

	2021	2020
Operating reserve		
Balance, beginning of year	\$ 2,108,893	1,972,794
Operating surplus reserve for year	367,878	136,099
Balance, end of year	\$ 2,476,771	2,108,893

MILTON COMMUNITY RESOURCE CENTRE
Statement of revenue and expenditure
For the year ended December 31, 2021

	2021	2020
Revenue		
Grants and subsidy		
Grants	\$ 3,500,765	2,997,368
Subsidies	787,759	632,180
Special purpose grants (Note 10)	1,069,121	426,894
Subtotal	5,357,645	4,056,442
Add utilized capital grants	33,772	44,163
Total grants and subsidy	5,391,417	4,100,605
Programs (Note 11)	3,272,535	2,671,702
Community agency rental	23,482	31,935
Donations	1,243	5,847
Fund raising	6,095	28,427
Interest income	13,363	24,275
	8,708,135	6,862,791
Expenditure		
Advertising and promotion	1,944	2,760
Amortization	103,034	124,473
Bank charges	46,148	38,103
Dues	12,698	8,500
Education	18,781	8,331
Fund raising	5,822	8,363
Insurance	44,520	41,821
Maintenance	93,315	66,276
Office and miscellaneous	92,499	72,019
Private Home Child Care Provider fees	111,627	100,476
Professional fees	22,575	18,967
Program supplies	306,653	230,895
Property tax	61,623	64,200
Rent	822,926	758,327
Salaries and benefits	6,567,923	7,046,647
Shared administration (Note 12)	1,283,011	1,176,200
Special purpose grants (Note 10)	1,069,121	426,894
Telephone	30,531	28,668
Utilities	29,863	15,710
Workshops	82,225	9,319
	10,806,839	10,246,949
Operating deficit for year, before other	(2,098,704)	(3,384,158)
Other		
Government assistance (Note 16)	2,466,582	3,520,257
Operating surplus reserve for year	\$ 367,878	136,099

MILTON COMMUNITY RESOURCE CENTRE

Statement of cash flows

For the year ended December 31, 2021

	2021	2020
Cash flows from (used in) operating activities		
Operating surplus reserve for year	\$ 367,878	136,099
Adjustments for		
Amortization of capital assets	103,034	124,473
Amortization of unutilized capital grants	(33,772)	(44,163)
	437,140	216,409
Changes in non-cash working capital		
Increase in short-term investments	(506,784)	(14,264)
Decrease (increase) in accounts receivable	140,144	(216,074)
(Increase) decrease) in prepaid expenses	(13,113)	10,621
Increase in accounts payable and accrued liabilities	54,914	6,011
(Decrease) increase in government remittances payable	9,871	10,045
(Decrease) increase in unutilized grants and advance billings	(158,911)	434,016
Cash flows (used in) from operating activities	(36,739)	446,764
Cash flows from (used in) investing activities		
Acquisition of capital assets	(14,417)	(45,887)
Cash flows used in investing activities	(14,417)	(45,887)
Cash flows from (used in) financing activities		
Increase in unutilized capital grants	7,169	4,806
Cash flows from financing activities	7,169	4,806
Net (decrease) increase in cash and cash equivalents during year	(43,987)	405,683
Cash and cash equivalents, beginning of year	1,535,992	1,130,309
Cash and cash equivalents, end of year	\$ 1,492,005	1,535,992

MILTON COMMUNITY RESOURCE CENTRE

Notes to financial statements

As at December 31, 2021

1. Purpose of the operation

Milton Community Resource Centre ("MCRC") is a non-profit, charitable agency serving children, their parents, caregivers as well as professionals who work in the field of Early Childhood Education.

MCRC offers a wide range of early learning and child care programs, parental support programs as well as professional development and resources which reflect the needs within Milton and the broader Halton community.

MCRC strives to meet the diverse cultural, social and economic demands of families and professionals by offering a wide range of child care and related services.

2. Going concern

During the prior year, MCRC was advised by The Regional Municipality of Halton of a potential reduction to The Halton Resource Connection ("THRC") grant funding. In the current fiscal year, the grant funding represented approximately 19% (2020 - 19%) of the total revenue recognized. The probability and impact to MCRC's operations are unknown at this time. Management is evaluating the matter and will be discussing with The Regional Municipality of Halton to identify possible alternatives for MCRC with the goal of minimizing reductions in funding.

3. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies where alternatives are available:

a) Management estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

b) Basis of accounting

MCRC uses the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions for capital assets are recognized as revenue over the useful life of the asset. 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.

MILTON COMMUNITY RESOURCE CENTRE

Notes to financial statements

As at December 31, 2021

3. Significant accounting policies – continued

c) Cash and cash equivalents

Cash and cash equivalents are defined as cash net of bank overdrafts and highly liquid investments, consisting primarily of term deposits and investment savings, cashable on demand.

d) Short-term investments

The short-term investments are recorded at fair market value.

e) Capital assets

Capital assets are recorded at acquisition cost. Amortization is recorded in the accounts at rates intended to write off the cost of the assets over their estimated useful life. In the year of acquisition, capital assets are amortized at one-half of the normal rate. Methods and rates used are:

Furniture and equipment
20% diminishing balance basis

Playscape
Straight-line basis over 5 years

Computer equipment
30% diminishing balance basis

Leasehold improvements
Straight-line basis over the remaining term
of the lease

f) Allocation of expenses

MCRC engages in central administration costs and program support. The costs of program support include expenditures that are directly related to providing the program. The costs of each program also include the costs of personnel and other central administration expenses that are common to the administration of MCRC and each of the programs.

MCRC allocates certain central administration expenses by identifying the appropriate basis of allocating each component expense, and applies that basis consistently each year. Central administration expenses are allocated to shared administration on the following basis:

i) Salaries and benefits

- first allocated to programs where funding is fixed and limited to the respective funding agreement with the balance allocated proportionately on a percentage basis of revenues.

ii) Other expenses

- shared evenly over classes of revenue.

MILTON COMMUNITY RESOURCE CENTRE

Notes to financial statements

As at December 31, 2021

3. Significant accounting policies – continued

g) Revenue recognition

Grants, subsidies, restricted donations and program revenues are deferred and recognized as revenue in the financial period in which the related expenses are incurred. Unrestricted donations and fundraising are recognized as revenue when received. Grants and subsidies received for capital expenditures are deferred and recognized as revenue over the useful life of the asset acquired.

h) Utilized grants and advance billings

Utilized grants consist of grants received for program expenses incurred after December 31, 2021, and any excess amounts being returned. Advance billings consist of funds collected for program expenses incurred after December 31, 2021.

i) Government assistance

Government assistance for salaries and property expenses received as a result of the Canada Emergency Wage Subsidy and the Canada Emergency Rent Subsidy programs are recorded to be consistent with government guidelines when the organization has qualified. This government assistance is recorded as other income for financial statement purposes.

j) Volunteer time

The value of volunteer time is not reflected in these financial statements since no objective basis is available to measure the value of such services. However, a substantial number of volunteers donated significant amounts of their time to MCRC's activities.

4. Financial instruments

a) Fair value

MCRC initially measures its financial assets and liabilities at fair value. The entity subsequently measures all its financial assets and financial liabilities at cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value.

MILTON COMMUNITY RESOURCE CENTRE

Notes to financial statements

As at December 31, 2021

4. Financial instruments – continued

b) 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 underlying market factors. MCRC is exposed to interest rate risk and credit risk.

i) 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.

MCRC's short-term investments earn interest at fixed rates. Consequently, the cash flow risks are not significant. However, there is a risk of fair value on this part of the asset.

ii) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation.

MCRC is subject to credit risk. To mitigate this, MCRC actively manages and monitors its receivables. Bad debt experience has not been significant.

c) Liquidity risk

Liquidity risk is the risk that MCRC cannot meet a demand for cash or fund its obligations as they come due. Unless otherwise noted, MCRC is not subject to significant liquidity risk. MCRC manages liquidity risk by:

- maintaining access to a number of sources of funding which are sufficient to meet anticipated funding requirements.
- investing in liquid fixed income securities and cash equivalents that, if necessary, can be sold to generate cash flow.

5. Accounts receivable

	2021	2020
Accounts receivable	\$ 127,440	125,749
Allowance for bad debts	-	(1,143)
HST receivable	67,373	42,259
Canada Emergency Wage Subsidy	86,740	310,181
Canada Emergency Rent Subsidy	-	84,456
Halton Region COVID support funding	139,805	-
	<u>\$ 421,358</u>	<u>561,502</u>

MILTON COMMUNITY RESOURCE CENTRE

Notes to financial statements

As at December 31, 2021

6. Capital assets

		2021		2020
	Cost	Accumulated amortization	Net	Net
Furniture and equipment	\$ 257,418	154,458	102,960	122,497
Computer equipment	122,169	98,807	23,362	27,928
Playscape	251,307	125,653	125,654	175,915
Leasehold improvements	204,673	195,664	9,009	23,262
	<u>\$ 835,567</u>	<u>574,582</u>	<u>260,985</u>	<u>349,602</u>

Amortization recorded during the year amounted to \$103,034 (2020 - \$124,473).

During the year, capital assets were acquired for cash at an aggregate cost of \$14,417 (2020 - \$45,887).

7. Unutilized grants and advanced billings

Unutilized grants and advanced billings are comprised of funding received in advance primarily related to The Regional Municipality of Halton's funding and advanced billings.

Changes in the unutilized grants and advanced billings are as follows:

	2021	2020
Balance, beginning of year	\$ 694,641	260,625
Amount received in the year	5,225,650	4,533,815
Revenue recognized in the year	<u>(5,391,417)</u>	<u>(4,100,605)</u>
Balance, before advanced billings	528,874	693,835
Advanced billings	<u>6,856</u>	<u>806</u>
Balance, end of year	<u>\$ 535,730</u>	<u>694,641</u>

MILTON COMMUNITY RESOURCE CENTRE

Notes to financial statements

As at December 31, 2021

8. Unutilized capital grants

Unutilized capital grants represent the unamortized amount of grants received for the purchase of capital assets. The amortization of unutilized capital grants is recorded as revenue in the statement of revenue and expenditure.

Changes in the unutilized capital grants are as follows:

	2021	2020
Balance, beginning of year	\$ 157,051	196,408
Amount received in the year	7,169	4,806
Revenue recognized in the year	<u>(33,772)</u>	<u>(44,163)</u>
Balance, end of year	\$ <u>130,448</u>	<u>157,051</u>

The above unutilized capital grants are comprised of the following:

	2021		2020	
	Cost	Accumulated amortization	Net	Net
Furniture and equipment	\$ 83,924	35,845	48,079	57,078
Computer equipment	33,410	18,690	14,720	15,583
Playscape	157,718	90,069	67,649	77,313
Leasehold improvements	38,863	38,863	-	7,077
	<u>\$ 313,915</u>	<u>183,467</u>	<u>130,448</u>	<u>157,051</u>

9. Contingent liability

Management is aware of possible claims against MCRC with respect to incidents that were discovered during a previous fiscal year. Management considers the probability of the realization of possible claims likely, however, the outcome cannot be reasonably determined at this time. Accordingly, no provision for loss has been reflected in the accounts of MCRC as management expects any loss related to possible claims to be covered by insurance.

MILTON COMMUNITY RESOURCE CENTRE

Notes to financial statements

As at December 31, 2021

10. Special purpose grants

Special purpose grants are made up of the following:

	2021	2020
Revenue		
Special purpose grants	\$ 1,069,121	426,894
Expenditure		
Maintenance	-	7,688
Office and miscellaneous	-	5,907
Personal protective equipment to community	1,001,080	346,644
Private Home Child Care Provider fees	-	13,385
Program supplies	50,353	34,844
Rebates to parents	17,688	18,426
	<u>1,069,121</u>	<u>426,894</u>
Operating surplus for year	\$ -	-

11. Programs

Programs are comprised of revenue received in regard to attending a child care program or other programs at one of eleven locations operated by MCRC.

	2021	2020
Infant, toddler and preschool	\$ 1,858,269	1,211,552
Before and after school	1,378,571	1,417,821
Family fun programs	20,061	23,035
Library revenue	15,634	19,294
	<u>\$ 3,272,535</u>	<u>2,671,702</u>

12. Allocation of expenses

An allocation of central administration costs has been made to shared administration as follows:

	2021	2020
Advertising and promotion	\$ -	9,936
Education	2,035	1,741
Maintenance	16,306	17,628
Office and miscellaneous	137,433	123,721
Salaries and benefits	1,096,110	993,161
Telephone	31,127	30,013
	<u>\$ 1,283,011</u>	<u>1,176,200</u>

MILTON COMMUNITY RESOURCE CENTRE

Notes to financial statements

As at December 31, 2021

13. Operating lease commitments

Future minimum rental payments required under operating leases that have initial terms in excess of one year are:

2022	\$ 767,667
2023	517,857
2024	520,250
2025	<u>62,498</u>
	<u>\$ 1,868,272</u>

14. Income taxes

MCRC is a registered charity and is therefore exempt from income taxes under Section 149(1)(f) of the Income Tax Act.

15. Economic dependence

MCRC is dependent on funding from The Regional Municipality of Halton in order to carry out its operations.

16. Impact of COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of MCRC in future periods.

During the year, MCRC recognized \$2,466,582 of government assistance from the Canada Emergency Wage Subsidy and the Canada Emergency Rent Subsidy programs.

17. Comparative figures

Certain figures in the 2020 financial statements have been reclassified to conform with the basis of presentation used in 2021.