

MILTON COMMUNITY RESOURCE CENTRE
FINANCIAL STATEMENTS
AS AT
DECEMBER 31, 2013

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GLENN • GRAYDON • WRIGHT LLP
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Members
Milton Community Resource Centre

We have audited the accompanying financial statements of Milton Community Resource Centre which comprise the balance sheet as at December 31, 2013, and the statements of changes in net assets, revenue and expenditure and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

In common with many charitable organizations, Milton Community Resource Centre derived revenue from donations and fund raising activities, the completeness of which are not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to donations and fund raising revenue, operating reserve or cash and cash equivalents at year end.

Qualified Opinion

In our opinion, except for the effect of the matters in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Milton Community Resource Centre as at December 31, 2013 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.

Glenn Graydon Wright LLP

Chartered Accountants
Licensed Public Accountants
Oakville, Ontario
June 26, 2014

MILTON COMMUNITY RESOURCE CENTRE**Balance sheet****As at December 31, 2013**

| | 2013 | 2012 |
|--|---------------------|------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents (Note 2(c)) | \$ 1,106,886 | 1,029,558 |
| Accounts receivable | 136,894 | 131,208 |
| Prepaid expenses | 43,865 | 28,974 |
| | 1,287,645 | 1,189,740 |
| Capital assets (Notes 2(d), 4) | 194,756 | 181,684 |
| | \$ 1,482,401 | 1,371,424 |
| Liabilities and operating reserve | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 108,714 | 178,306 |
| Government remittances payable | 54,716 | 40,821 |
| Unutilized grants and advance billings (Notes 2(e), 5) | 177,854 | 93,771 |
| | 341,284 | 312,898 |
| Long-term liabilities | | |
| Unutilized capital grants (Notes 2(e), 6) | 46,506 | 68,234 |
| | 387,790 | 381,132 |
| Net assets | | |
| Operating reserve | 991,471 | 901,029 |
| Capital reserve (Note 2(f)) | 103,140 | 89,263 |
| | 1,094,611 | 990,292 |
| | \$ 1,482,401 | 1,371,424 |

Approved by the Board

Director_____
Director

MILTON COMMUNITY RESOURCE CENTRE

Statement of changes in net assets

For the year ended December 31, 2013

| | 2013 | 2012 |
|-------------------------------|------------|----------|
| Operating reserve | | |
| Balance, beginning of year | \$ 901,029 | 582,186 |
| Operating reserve for year | 104,319 | 318,031 |
| Transfer from capital reserve | 89,263 | 90,812 |
| Transfer to capital reserve | (103,140) | (90,000) |
| Balance, end of year | \$ 991,471 | 901,029 |

| | 2013 | 2012 |
|---------------------------------|------------|----------|
| Capital reserve | | |
| Balance, beginning of year | \$ 89,263 | 90,075 |
| Transfer to operating reserve | (89,263) | (90,812) |
| Transfer from operating reserve | 103,140 | 90,000 |
| Balance, end of year | \$ 103,140 | 89,263 |



MILTON COMMUNITY RESOURCE CENTRE

Statement of revenue and expenditure - combined

For the year ended December 31, 2013

| | 2013 | 2012 |
|--|-------------------|------------------|
| Revenue | | |
| Grants and subsidy | | |
| Ministry of Children and Youth Services (MCYS) | \$ 669,084 | 669,092 |
| Regional Municipality of Halton | 1,562,001 | 1,567,633 |
| Summer Career Placement | 2,424 | 2,433 |
| United Way of Milton | 16,500 | 16,125 |
| Special purpose grants | 259,016 | 74,109 |
| Subtotal | 2,509,025 | 2,329,392 |
| Less unutilized capital grants | | 46,516 |
| Add utilized capital grants | 21,728 | 17,628 |
| Total Grants and Subsidy | 2,530,753 | 2,300,504 |
| Programs | | |
| Early learning and care | 3,105,991 | 2,768,365 |
| Family Resource program | 104,754 | 105,921 |
| Child Care directory and information | | 3,682 |
| Halton Resource Connection | 62,329 | 59,318 |
| Nursery School programs | 236,228 | 206,375 |
| Private Home Child Care program | 313,970 | 242,618 |
| Quality First | 13,092 | 12,774 |
| Rental income | 32,208 | 42,300 |
| Total Programs | 3,868,572 | 3,441,353 |
| Fund raising | 79,548 | 82,322 |
| Donations | 3,388 | 4,103 |
| | 6,482,261 | 5,828,282 |
| Expenditure | | |
| Advertising and promotion | 17,796 | 20,901 |
| Amortization | 52,434 | 40,701 |
| Dues | 6,939 | 11,480 |
| Education | 35,353 | 25,027 |
| Fund raising | 18,902 | 17,784 |
| Insurance | 15,761 | 15,927 |
| Links 2 Care | 180,000 | 180,000 |
| Maintenance | 78,560 | 59,432 |
| Office and miscellaneous | 140,297 | 147,947 |
| Private Home Child Care Provider fees | 264,476 | 204,822 |
| Professional fees | 13,220 | 22,483 |
| Program supplies | 299,631 | 270,332 |
| Property tax | 45,155 | 42,519 |
| Rent | 565,895 | 514,181 |
| Salaries and benefits | 3,804,451 | 3,297,935 |
| Shared | 506,513 | 491,699 |
| Special purpose grants | 259,016 | 74,109 |
| Telephone | 34,512 | 29,785 |
| Utilities | 25,546 | 20,164 |
| Workshops | 13,485 | 23,023 |
| | 6,377,942 | 5,510,251 |
| Operating reserve for year | \$ 104,319 | 318,031 |



MILTON COMMUNITY RESOURCE CENTRE

Statement of revenue and expenditure – grants and subsidy, programs and fund raising
For the year ended December 31, 2013

| | 2013 | 2012 |
|---|-------------------|------------------|
| Revenue | | |
| Grants and subsidy | | |
| Regional Municipality of Halton | \$ 1,562,001 | 1,567,633 |
| Summer Career Placement | 2,424 | 1,825 |
| United Way of Milton | 16,500 | 16,125 |
| Special purpose grants | 49,966 | 45,943 |
| Subtotal | 1,630,891 | 1,631,526 |
| Less unutilized capital grants | | 46,516 |
| Add utilized capital grants | 21,728 | 17,628 |
| Total Grants and Subsidy | 1,652,619 | 1,602,638 |
| Programs | | |
| Early learning and care | 3,105,991 | 2,768,365 |
| Family Resource program | 104,754 | 105,921 |
| Child Care directory and information line | | 3,682 |
| Halton Resource Connection | 62,329 | 59,318 |
| Nursery School programs | 236,228 | 206,375 |
| Private Home Child Care program | 313,970 | 242,618 |
| Quality First | 13,092 | 12,774 |
| Rental income | 32,208 | 42,300 |
| Total Programs | 3,868,572 | 3,441,353 |
| Fund raising | 79,548 | 82,322 |
| Donations | 3,388 | 4,103 |
| | 5,604,127 | 5,130,416 |
| Expenditure | | |
| Advertising and promotion | 16,250 | 18,634 |
| Amortization | 52,434 | 40,701 |
| Dues | 6,401 | 10,625 |
| Education | 31,554 | 22,055 |
| Fund raising | 18,902 | 17,784 |
| Insurance | 13,121 | 13,443 |
| Maintenance | 71,815 | 52,742 |
| Office and miscellaneous | 121,938 | 132,045 |
| Private Home Child Care Provider fees | 264,476 | 204,822 |
| Professional fees | 10,724 | 20,104 |
| Program supplies | 295,338 | 263,701 |
| Property tax | 30,851 | 29,265 |
| Rent | 445,378 | 388,024 |
| Salaries and benefits | 3,545,881 | 3,019,432 |
| Shared | 437,468 | 424,833 |
| Special purpose grants | 49,966 | 45,943 |
| Telephone | 32,564 | 28,296 |
| Utilities | 17,716 | 13,909 |
| Workshops | 13,485 | 23,023 |
| | 5,476,262 | 4,769,381 |
| Operating reserve for year | \$ 127,865 | 361,035 |



MILTON COMMUNITY RESOURCE CENTRE
Statement of revenue and expenditure – Early Years
For the year ended December 31, 2013

| | 2013 | 2012 |
|--|--------------------|-----------------|
| Revenue | | |
| Grants and subsidy | | |
| Ministry of Children and Youth Services (MCYS) | \$ 669,084 | 669,092 |
| Summer Career Placement | | 608 |
| Special purpose grants | 209,050 | 28,166 |
| | 878,134 | 697,866 |
| Expenditure | | |
| Advertising and promotion | 1,546 | 2,267 |
| Dues | 538 | 855 |
| Education | 3,799 | 2,972 |
| Insurance | 2,640 | 2,484 |
| Links 2 Care | 180,000 | 180,000 |
| Maintenance | 6,745 | 6,690 |
| Office and miscellaneous | 18,359 | 15,902 |
| Professional fees | 2,496 | 2,379 |
| Program supplies | 4,293 | 6,631 |
| Property tax | 14,304 | 13,254 |
| Rent | 120,517 | 126,157 |
| Salaries and benefits | 258,570 | 278,503 |
| Shared | 69,045 | 66,866 |
| Special purpose grants | 209,050 | 28,166 |
| Telephone | 1,948 | 1,489 |
| Utilities | 7,830 | 6,255 |
| | 901,680 | 740,870 |
| Operating deficit for year | \$ (23,546) | (43,004) |



MILTON COMMUNITY RESOURCE CENTRE

Statement of cash flows

For the year ended December 31, 2013

| | 2013 | 2012 |
|---|---------------------|------------------|
| Cash flows from (used in) operating activities | | |
| Net operating reserve for year | \$ 104,319 | 318,031 |
| Adjustment for | | |
| Amortization of capital assets | 52,434 | 40,701 |
| | 156,753 | 358,732 |
| Changes in non-cash working capital | | |
| Increase in accounts receivable | (5,686) | (14,462) |
| (Increase) decrease in prepaid expenses | (14,891) | 9,218 |
| Decrease in accounts payable and accrued liabilities | (69,592) | (23,464) |
| Increase in government remittances payable | 13,895 | 5,802 |
| Increase in unutilized grants and advance billings | 84,083 | 22,767 |
| Cash flows from operating activities | 164,562 | 358,593 |
| Cash flows from (used in) investing activities | | |
| Acquisition of capital assets | (65,506) | (109,052) |
| Cash flows used in investing activities | (65,506) | (109,052) |
| Cash flows from (used in) financing activities | | |
| (Decrease) increase in unutilized capital grants | (21,728) | 28,888 |
| Cash flows (used in) from financing activities | (21,728) | 28,888 |
| Net increase in cash during year | 77,328 | 278,429 |
| Cash and cash equivalents, beginning of year | 1,029,558 | 751,129 |
| Cash and cash equivalents, end of year | \$ 1,106,886 | 1,029,558 |
| Cash and cash equivalents (Note 2(c)) | | |
| Cash | \$ 1,106,886 | 1,040,778 |
| Bank overdraft | | (11,220) |
| | \$ 1,106,886 | 1,029,558 |



MILTON COMMUNITY RESOURCE CENTRE

Notes to financial statements

As at December 31, 2013

1. Nature 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. 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.

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) 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

Assets under construction will be amortized when the assets are available for use.



MILTON COMMUNITY RESOURCE CENTRE

Notes to financial statements

As at December 31, 2013

2. Significant accounting policies – continued

e) Revenue recognition

Grants, subsidies and donations are deferred and recognized as revenue in the financial period in which the related expenses are incurred. Revenues from programs and fund raising 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.

f) Capital reserve

The board of directors have established an internally restricted capital reserve for financing future major repairs and replacements. Contributions are made to the reserve at the discretion of the board.

g) 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. Nevertheless, a substantial number of volunteers donated significant amounts of their time to MCRC's activities.

3. Financial instruments

a) Fair value

MCRC initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. 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.

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 credit risk.

i) 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 and obtains security where warranted. 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.



MILTON COMMUNITY RESOURCE CENTRE

Notes to financial statements

As at December 31, 2013

4. Capital assets

| | | 2013 | | 2012 | |
|---------------------------|----|---------|-----------------------------|---------|---------|
| | | Cost | Accumulated amortization | Net | Net |
| Furniture and equipment | \$ | 129,036 | 55,236 | 73,800 | 67,166 |
| Computer equipment | | 65,817 | 40,768 | 25,049 | 17,653 |
| Playscape | | 56,562 | 50,906 | 5,656 | 16,969 |
| Leasehold improvements | | 103,751 | 30,374 | 73,377 | 79,896 |
| | | 355,166 | 177,284 | 177,882 | 181,684 |
| Assets under construction | | 16,874 | | 16,874 | |
| | \$ | 372,040 | 177,284 | 194,756 | 181,684 |

Amortization recorded during the year amounted to \$52,434.

During the year, capital assets were acquired for cash at an aggregate cost of \$65,506.

5. Unutilized grants and advanced billings

Unutilized grants and advanced billings represent grants and billings received during the year but not yet utilized.

| | | 2013 | 2012 |
|--------------------------------|----|-----------|----------|
| Balance, beginning of year | \$ | 93,771 | 71,004 |
| Amount received in the year | | 346,795 | 100,965 |
| Revenue recognized in the year | | (262,712) | (78,198) |
| Balance, end of year | \$ | 177,854 | 93,771 |

6. Unutilized capital grants

Unutilized capital grants represent grants received for the purchase of capital assets.

| | | 2013 | 2012 |
|--------------------------------|----|----------|----------|
| Balance, beginning of year | \$ | 68,234 | 39,346 |
| Amount received in the year | | | 46,516 |
| Revenue recognized in the year | | (21,728) | (17,628) |
| Balance, end of year | \$ | 46,506 | 68,234 |

7. Contract with The Regional Municipality of Halton

MCRC has service contracts with The Regional Municipality of Halton. One requirement of the contracts is the production by management of a report on a calendar year basis which shows a summary by service of all revenues and expenditures and any resulting surplus or deficit that relate to the contracts.



MILTON COMMUNITY RESOURCE CENTRE

Notes to financial statements

As at December 31, 2013

8. Contract with Ministry of Children and Youth Services (MCYS)

MCRC has a Service Contract/CFSA approval with MCYS. A reconciliation report summarizes by service A462 and A516 all revenues and expenditures and identifies any resulting surplus or deficit that relates to the Service Contract/CFSA approval.

9. Ontario Early Years Centre

MCRC and Links 2 Care share a common mission of supporting children 0 to 6 years of age and their families through the delivery of Early Years programs and services as directed by MCYS.

A memorandum of understanding has been established by MCRC and Links 2 Care to enhance the abilities of the participants to delivery programs and services through a collaborative relationship to children 0 to 6 years of age and their families in accordance with the planning and expectation of MCYS. This is accomplished through the individual and collective efforts of both agencies responding to community needs and implementing best practices.

10. Operating lease commitments

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

| | | |
|------------|----|------------------|
| 2014 | \$ | 505,347 |
| 2015 | | 461,788 |
| 2016 | | 457,548 |
| 2017 | | 427,792 |
| 2018 | | 390,732 |
| Thereafter | | <u>997,531</u> |
| | \$ | <u>3,240,738</u> |

11. Income taxes

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

12. Economic dependence

MCRC is dependent primarily on funding from the Ministry of Children and Youth Services (MCYS) and The Regional Municipality of Halton in order to carry out its operations.

