MILTON COMMUNITY RESOURCE CENTRE

FINANCIAL STATEMENTS

AS AT

DECEMBER 31, 2019

Contents **Page**

GLENN • GRAYDON • WRIGHT LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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, 2019, 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, 2019 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:

JOHN R. NUNNIKHOVEN, CPA, CA   ANTHONY FALCO, CPA, CA   ATIF AKHTAR, CPA, CA   CHRISTOPHER TAYLOR, CPA, CA

690 Dorval Drive, Suite 310, Oakville, Ontario L6K 3W7 Telephone: 905-845-6633 Fax: 905-845-6064

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.

Glenn Graydon Wright LLP

Chartered Professional Accountants
Licensed Public Accountants
Oakville, Ontario
November 4, 2020

690 Dorval Drive, Suite 310, Oakville, Ontario L6K 3W7 Telephone: 905-845-6633 Fax: 905-845-6064

MILTON COMMUNITY RESOURCE CENTRE

Balance sheet

As at December 31, 2019

		2019	2018
Assets			
Current assets			
Cash and cash equivalents	$	1,130,309	885,180
Short-term investments		720,980	505,445
Accounts receivable		345,428	335,810
Prepaid expenses		100,211	66,989
		2,296,928	1,793,424
Capital assets (Note 5)		428,188	333,901
	$	2,725,116	2,127,325
Liabilities and operating reserve			
Current liabilities			
Accounts payable and accrued liabilities	$	240,925	215,311
Government remittances payable		54,364	29,116
Unutilized grants and advance billings (Note 6)		260,625	258,161
		555,914	502,588
Long-term liabilities			
Unutilized capital grants (Note 7)		196,408	146,036
		752,322	648,624
Net assets			
Operating reserve		1,972,794	1,472,872
Capital reserve (Note 8)		-	5,829
		1,972,794	1,478,701
	$	2,725,116	2,127,325

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, 2019

		2019	2018
Operating reserve			
Balance, beginning of year	$	1,472,872	1,279,787
Operating surplus reserve for year		494,093	201,594
Transfer from capital reserve		5,829	-
Transfer to capital reserve		-	(8,509)
Balance, end of year	$	1,972,794	1,472,872

		2019	2018
Capital reserve			
Balance, beginning of year	$	5,829	60,761
Expenditures during the year		-	(63,441)
Transfer to operating reserve		(5,829)	-
Transfer from operating reserve		-	8,509
Balance, end of year	$	-	5,829

MILTON COMMUNITY RESOURCE CENTRE
Statement of revenue and expenditure
For the year ended December 31, 2019

		2019	2018
Revenue			
Grants and subsidy			
Grants	$	3,389,449	3,113,120
Subsidies		1,047,293	856,373
Special purpose grants		428,599	89,118
Subtotal		4,865,341	4,058,611
Add utilized capital grants		37,226	16,376
Total Grants and Subsidy		4,902,567	4,074,987
Programs (Note 10)		5,857,461	5,115,365
Community agency rental		83,708	47,055
Donations		4,154	562
Fund raising		39,368	43,786
Interest income		41,084	18,350
		10,928,342	9,300,105
Expenditure			
Advertising and promotion		4,164	6,082
Amortization		91,754	58,543
Bank charges		85,368	64,844
Dues		10,941	11,415
Education		18,449	15,007
Fund raising		18,929	16,920
Insurance		38,619	26,610
Maintenance		58,852	49,967
Office and miscellaneous		148,121	198,977
Private Home Child Care Provider fees		125,770	165,398
Professional fees		56,024	30,489
Program supplies		454,489	398,798
Property tax		68,307	68,289
Rent		895,002	721,702
Salaries and benefits		6,768,684	6,060,488
Shared administration (Note 11)		1,034,809	1,010,253
Special purpose grants		428,599	89,118
Telephone		34,853	34,744
Utilities		26,647	27,686
Workshops		42,028	43,181
		10,410,409	9,098,511
Operating surplus for year, before other		517,933	201,594
Other			
Loss on disposal of capital assets		(17,189)	-
Transfer from prior year to The Regional Municipality of Halton		(6,651)	-
		(23,840)	-
Operating surplus for year	$	494,093	201,594

MILTON COMMUNITY RESOURCE CENTRE

Statement of cash flows

For the year ended December 31, 2019

		2019	2018
Cash flows from (used in) operating activities			
Operating surplus reserve for year	$	494,093	201,594
Adjustments for			
Amortization of capital assets		91,754	58,543
Loss on disposal of capital assets		17,189	-
		603,036	260,137
Changes in non-cash working capital			
Increase in short-term investments		(215,535)	(505,445)
Increase in accounts receivable		(9,618)	(68,851)
(Increase) decrease in prepaid expenses		(33,222)	11,449
Increase in accounts payable and accrued liabilities		25,614	23,549
Increase (decrease) in government remittances payable		25,248	(21,592)
Increase in unutilized grants and advance billings		2,464	29,943
Cash flows from (used in) operating activities		397,987	(270,810)
Cash flows from (used in) investing activities			
Acquisition of capital assets		(203,230)	(196,456)
Cash flows used in investing activities		(203,230)	(196,456)
Cash flows from (used in) financing activities			
Increase in unutilized capital grants		50,372	136,890
Capital reserve expenditures		-	(63,441)
Cash flows from financing activities		50,372	73,449
Net increase (decrease) in cash and cash equivalents during year		245,129	(393,817)
Cash and cash equivalents, beginning of year		885,180	1,278,997
Cash and cash equivalents, end of year	$	1,130,309	885,180

MILTON COMMUNITY RESOURCE CENTRE

Schedule to statement of revenue and expenditure
Ministry of Children, Community and Social Services
For the year ended December 31, 2019

		2019*	2018*
Revenue			
Grants and subsidy			
Ministry of Children, Community and Social Services	$	5,641	5,641
Expenditure			
Advertising and promotion		83	83
Education		50	50
Insurance		20	20
Office and miscellaneous		320	320
Program supplies		2,400	2,400
Salaries and benefits		2,168	2,168
Shared administration		550	550
Utilities		50	50
		5,641	5,641
Operating surplus for year	$	Nil	Nil

*- allocations of expenses are unaudited.

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

Subsequent to year end, MCRC was advised by The Regional Municipality of Halton of a potential reduction to The Halton Resource Connection grant funding. In the current fiscal year, the grant funding represented approximately 18% 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 the organization 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.

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.

3. Significant accounting policies - continued

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

Computer equipment
30% diminishing balance basis

Playscape
Straight-line basis over 5 years

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

e) Allocation of expenses

The organization 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 the organization and each of the programs.

The organization 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.

f) 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.

3. Significant accounting policies - continued

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. 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.

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.

The organization'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.

MILTON COMMUNITY RESOURCE CENTRE
Notes to financial statements
As at December 31, 2019

5. Capital assets

		2019		2018
	Cost	Accumulated amortization	Net	Net
Furniture and equipment	$ 206,017	104,518	101,499	62,100
Computer equipment	117,684	77,787	39,897	35,860
Playscape	251,307	25,131	226,176	4,899
Leasehold improvements	200,255	139,639	60,616	91,211
	775,263	347,075	428,188	194,070
Assets under construction	-	-	-	139,831
	$ 775,263	347,075	428,188	333,901

Amortization recorded during the year amounted to $91,754 (2018 - $58,543).

During the year, capital assets were acquired for cash at an aggregate cost of $203,230 (2018 - $196,988).

6. 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 towards THRC program and advanced billings.

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

	2019	2018
Balance, beginning of year	$ 258,161	228,218
Amount received in the year	4,891,007	4,080,163
Revenue recognized in the year	(4,902,567)	(4,074,987)
Balance, before advanced billings	$ 246,601	233,394
Advanced billings	14,024	24,767
Balance, end of year	$ 260,625	258,161

MILTON COMMUNITY RESOURCE CENTRE
Notes to financial statements
As at December 31, 2019

7. 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:

		2019	2018
Balance, beginning of year	$	146,036	9,146
Amount received in the year		87,598	153,266
Revenue recognized in the year		(37,226)	(16,376)
Balance, end of year	$	196,408	146,036

The above unutilized capital grants are comprised of the following:

		2019			2018
		Cost	Accumulated amortization	Net	Net
Furniture and equipment	$	76,433	10,492	65,941	14,245
Computer equipment		28,925	6,664	22,261	7,751
Playscape		157,718	70,740	86,978	97,641
Leasehold improvements		38,863	17,635	21,228	26,399
		301,939	105,531	196,408	146,036

8. Capital reserve

The Board of Directors have established an internally restricted capital reserve. Contributions are made to the reserve at the discretion of the board for financing of future major repairs and replacements. Transfers from the capital reserve represent major repairs and replacements in the year.

9. Contingent liability

Management is aware of possible claims against the organization 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 the organization 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, 2019

10. Programs

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

		2019	2018
Infant, toddler and preschool	$	2,269,983	2,008,302
Before and after school		3,421,280	2,924,463
Family fun programs		88,998	93,632
Library revenue		77,200	88,968
	$	5,857,461	5,115,365

11. Allocation of expenses

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

		2019	2018
Advertising and promotion	$	10,787	4,927
Education		10,919	15,584
Maintenance		34,625	34,232
Office and miscellaneous		102,020	107,850
Salaries and benefits		846,672	822,314
Telephone		29,786	25,346
	$	1,034,809	1,010,253

12. Operating lease commitments

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

2020	$	794,591
2021		732,949
2022		772,601
2023		791,414
2024		639,198
Thereafter		6,678,394
	$	10,409,147

Included in the above operating lease commitments are amounts related to an unsigned lease contract for office space located at 410 Bronte Street, S., Milton. MCRC has remitted monthly payments for this lease since February 15, 2020. The total value of this lease obligation is $9,566,380. The lease is scheduled to expire on February 14, 2035.

13. Income taxes

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

14. Economic dependence

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

15. Subsequent event

Subsequent to the year end, 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.

As a result of the pandemic, MCRC closed down the child care programs on March 16, 2020 and reopened on July 6, 2020. The Regional Municipality of Halton has provided temporary funding to assist with financing operations during this period.

16. Comparative figures

Certain figures in the 2018 financial statements have been reclassified to conform with the basis of presentation used in 2019