

PEACE RIVER CHILD CARE ASSOCIATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

PEACE RIVER CHILD CARE ASSOCIATION

Financial Statements

March 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of **Peace River Child Care Association**

We have audited the accompanying financial statements of **Peace River Child Care Association**, which comprise the statement of financial position as at **March 31, 2017**, and the statements of changes in net assets, operations, 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.

Auditor's 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 audit 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 auditor's 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 auditor considers internal control relevant to the organization'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 organization'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

Peace River Child Care Association derives a material amount of revenue from donations and fundraising activities. We were not able to obtain sufficient appropriate audit evidence about the completeness of the reported amounts for accounts receivable, donation and fundraising revenue, revenue in excess of expenditure and changes to net assets because there is no direct relationship between assets or services given up in exchange for amounts received or receivable. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

INDEPENDENT AUDITOR'S REPORT (Continued)

Qualified Opinion

Except as noted in the above paragraph, in our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2017 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.

Peace River, Alberta
June 15, 2017


CHARTERED ACCOUNTANTS

PEACE RIVER CHILD CARE ASSOCIATION

Statement of Financial Position

As at March 31, 2017

	<u>2017</u>	<u>2016</u>
	\$	\$
ASSETS		
Current:		
Cash (Note 3)	160,629	870,307
Accounts receivable (Note 4)	100,014	120,598
Prepaid expenses (Note 5)	<u>7,416</u>	<u>7,100</u>
	268,059	998,005
Capital assets (Note 6)	<u>2,816,827</u>	<u>1,853,520</u>
	<u><u>3,084,886</u></u>	<u><u>2,851,525</u></u>
LIABILITIES		
Current:		
Accounts payable (Note 7)	103,795	344,801
Deferred revenue (Note 8)	58,028	296,456
Callable debt (Note 9)	<u>731,898</u>	<u>-</u>
	893,721	641,257
Deferred revenue (Note 10)	<u>1,002,593</u>	<u>975,435</u>
	<u>1,896,314</u>	<u>1,616,692</u>
NET ASSETS		
Internally restricted net assets	79,327	1,173,363
Externally restricted net assets	26,186	28,767
Unrestricted net assets	<u>1,083,059</u>	<u>32,703</u>
	<u>1,188,572</u>	<u>1,234,833</u>
	<u><u>3,084,886</u></u>	<u><u>2,851,525</u></u>

Approved by the Board

Members _____

Members _____

PEACE RIVER CHILD CARE ASSOCIATION

Statement of Changes in Net Assets

For the year ended March 31, 2017

	<u>Balance, beginning of year</u>	<u>Interfund Transfers (Note 12)</u>	<u>(Deficiency) excess of revenues over expenditures</u>	<u>2017 Balance, end of year</u>
	\$	\$	\$	\$
Internally restricted net assets	1,173,363	(1,096,470)	2,434	79,327
Externally restricted net assets	28,767	-	(2,581)	26,186
Unrestricted net assets	<u>32,703</u>	<u>1,096,470</u>	<u>(46,114)</u>	<u>1,083,059</u>
	<u>1,234,833</u>	<u>-</u>	<u>(46,261)</u>	<u>1,188,572</u>
	<u>Balance, beginning of year</u>	<u>Interfund Transfers (Note 12)</u>	<u>Excess (deficiency) of revenues over expenditures</u>	<u>2016 Balance, end of year</u>
	\$	\$	\$	\$
Internally restricted net assets	1,216,646	(44,713)	1,430	1,173,363
Externally restricted net assets	15,171	-	13,596	28,767
Unrestricted net assets	<u>9,690</u>	<u>44,713</u>	<u>(21,700)</u>	<u>32,703</u>
	<u>1,241,507</u>	<u>-</u>	<u>(6,674)</u>	<u>1,234,833</u>

PEACE RIVER CHILD CARE ASSOCIATION

Statement of Operations

For the year ended March 31, 2017

	<u>2017</u> <u>Actual</u> \$	<u>2017</u> <u>Budget</u> \$	<u>2016</u> <u>Actual</u> \$
Revenues:			
Daycare (Schedule 1)	738,645	-	415,047
Dayhomes (Schedule 2)	90,416	-	279,969
Families First (Schedule 3)	217,321	215,773	249,372
Fundraising (Schedule 5)	4,631	-	5,221
	<u>1,051,013</u>	<u>215,773</u>	<u>949,609</u>
Expenditures:			
Daycare (Schedule 1)	784,559	-	437,643
Dayhomes (Schedule 2)	90,616	-	279,073
Families First (Schedule 3)	219,902	215,773	226,824
Inclusive (Schedule 4)	-	-	2,568
Fundraising (Schedule 5)	2,197	-	3,791
Parent Link (Schedule 6)	-	-	6,384
	<u>1,097,274</u>	<u>215,773</u>	<u>956,283</u>
Deficiency of revenues over expenditures	<u>(46,261)</u>	<u>-</u>	<u>(6,674)</u>

PEACE RIVER CHILD CARE ASSOCIATION

Statement of Cash Flows

For the year ended March 31, 2017

	<u>2017</u>	<u>2016</u>
	\$	\$
Operating activities:		
Cash received	860,326	1,551,892
Cash paid to suppliers	(584,722)	(37,051)
Cash paid to employees and dayhome providers	(665,962)	(653,207)
Interest paid	(27,816)	(5,383)
	<u>(418,174)</u>	<u>856,251</u>
Financing activities:		
Repayment of callable debt	(18,102)	-
Proceeds of callable debt	750,000	-
	<u>731,898</u>	<u>-</u>
Investing activities:		
Purchase of capital assets	(1,023,402)	(1,799,822)
Proceeds on disposal of capital assets	-	1,105,890
	<u>(1,023,402)</u>	<u>(693,932)</u>
(Decrease) increase in cash	(709,678)	162,319
Cash, beginning of year	<u>870,307</u>	<u>707,988</u>
Cash, end of year	<u><u>160,629</u></u>	<u><u>870,307</u></u>

PEACE RIVER CHILD CARE ASSOCIATION

Notes to the Financial Statements

For the year ended March 31, 2017

1. Nature of operations

Peace River Child Care Association (the "Organization") is a not-for-profit organization incorporated under the Societies Act of Alberta. The Organization was formed to provide child care services and family support services for the community of Peace River and surrounding area. The Organization is a registered charity under the *Income Tax Act*.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Fund accounting

The Organization uses fund accounting to ensure compliance with restrictions placed on funds received. These funds are held in accordance with the objectives specified by the contributors or in accordance with the directives issued by the Board of Directors. Three funds are maintained - Internally Restricted Net Assets, Externally Restricted Net Assets and Unrestricted Net Assets.

Internally Restricted Net Assets consist of restricted funds used to account for monies for specific purposes. This includes the funds obtained through fundraising activities and funds internally restricted for the use towards capital assets.

Externally Restricted Net Assets consist of funds restricted by the government for use in the Families First program.

Unrestricted Net Assets is all revenue and expenditures related to the general and ancillary operations of the Organization. It includes the activities from the Daycare and Dayhome programs.

(b) Donated material and services

Donated capital and investments are recorded in the financial statements at fair value on the date of the donation. Donated materials and services are not recorded because the fair market value is not readily determinable.

(c) Cash equivalents

Cash and cash equivalents are defined as cash, balances with banks, bank overdrafts, and short term deposits with term maturity of three months or less from year-end.

PEACE RIVER CHILD CARE ASSOCIATION

Notes to the Financial Statements

For the year ended March 31, 2017

2. Significant accounting policies (Continued)

(d) Capital assets

Capital assets are recorded at cost. The organization provides for amortization using the straight-line method and rates, with residual values as indicated, designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rate is as follows:

Building	40 years, 10% residual
Equipment costing more than \$2,500	10 years, no residual
Equipment costing between \$1,000 and \$2,500	5 years, no residual

An impairment loss is recognized when the carrying amount of these assets is not recoverable and exceeds their fair value.

All capital assets costing less than \$1,000 are expensed.

(e) Revenue recognition

The organization follows the deferral method of accounting for contributions and reports on a fund accounting basis.

Internally and externally restricted contributions (such as specific purpose donations, casino funds and government funds for specific projects) are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions (such as parent fees and government funding) are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(f) Income taxes

No provision is made for income tax as the organization is not subject to income tax under Section 149(1)e of the *Income Tax Act*.

PEACE RIVER CHILD CARE ASSOCIATION

Notes to the Financial Statements

For the year ended March 31, 2017

2. Significant accounting policies (Continued)

(g) Financial instruments

(i) Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value.

The organization subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in deficiency of revenues over expenditures in the period incurred.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable, deferred revenue and callable debt.

The organization has not designated any financial asset or financial liability to be measured at fair value.

(ii) Impairment

For financial assets measured at cost or amortized cost, the organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in deficiency of revenues over expenditures. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be 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 deficiency of revenues over expenditures.

(iii) Financial instrument risks

Unless otherwise noted it is management's opinion that the organization is not exposed to significant interest, currency, market, liquidity or credit risks arising from these financial instruments.

(h) Measurement uncertainty

The preparation of 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 disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

PEACE RIVER CHILD CARE ASSOCIATION

Notes to the Financial Statements

For the year ended March 31, 2017

3. Cash

Cash relates to the following funds:

	<u>2017</u>	<u>2016</u>
	\$	\$
General	62,538	208,852
Fundraising	20,517	19,060
Casino	666	40,448
Families First	18,099	51,666
Parent Link	-	42,847
Inclusive	-	6,173
Building	<u>58,809</u>	<u>501,261</u>
	<u>160,629</u>	<u>870,307</u>

The Fundraising and Building funds are internally restricted by the board for special use as to be determined by the board. Included in the Families First funds are amounts externally restricted for community programs totalling \$18,099 (prior year \$19,559).

4. Accounts receivable

	<u>2017</u>	<u>2016</u>
	\$	\$
Trade receivables	58,269	50,566
Allowance for doubtful accounts	(12,287)	(9,414)
GST receivable	11,502	7,768
GST receivable - Building	-	39,964
GST receivable - Families First	894	1,674
GST receivable - Parent Link	-	706
Payroll penalties recovery receivable	-	29,334
Health Canada receivable - Families First	<u>41,636</u>	<u>-</u>
	<u>100,014</u>	<u>120,598</u>

Included in the Families First receivable are funds of \$2,874 internally restricted for community programs.

PEACE RIVER CHILD CARE ASSOCIATION

Notes to the Financial Statements

For the year ended March 31, 2017

5. Prepaid expenses

	2017	2016
	\$	\$
Insurance	-	2,092
Prepaid Worker's Compensation Board premiums	-	1,858
Rent	-	1,200
Rent - Families First	1,225	1,200
Security deposits	700	750
Training and travel expenses - Families First	5,491	-
	7,416	7,100

6. Capital assets

	2017		2016	
	Cost	Accumulated amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Building	2,635,131	34,275	2,600,856	-
Furniture & equipment	257,078	41,107	215,971	29,181
Building under construction	-	-	-	1,824,339
	2,892,209	75,382	2,816,827	1,853,520

7. Accounts payable

	2017	2016
	\$	\$
Trade payables	74,634	23,732
Trade payables - Families First	9,318	6,214
Capital payable	-	256,910
Payroll remittances payable	15,930	8,219
Payroll remittances payable - Families First	3,913	-
Inclusive equity payable	-	6,173
Parent Link equity payable	-	43,553
	103,795	344,801

PEACE RIVER CHILD CARE ASSOCIATION

Notes to the Financial Statements

For the year ended March 31, 2017

8. Deferred revenue

	2017	2016
	\$	\$
Parent fees	14,389	3,075
Parent deposits	22,000	-
Families First - donations for community programs	20,973	19,559
Casino funds	666	40,448
Insurance proceeds for general operations	-	233,374
	58,028	296,456

The deferred parent fees relate to fees collected in advance of the month the service is provided.

The parent deposits relate to deposits collected in advance of the provision of services.

The Families First deferred revenue relates to donations received for various community programs. The donations received for this program have been deferred to when the related expenses are incurred.

Casino funds are externally restricted for specific purposes to be approved by the government.

9. Callable debt

	2017	2016
	\$	\$
Term bank loan with general security agreement and building pledged as security with a net book value of \$2,600,856, repayable in monthly installments of \$4,650 including interest at prime plus 1.5% per annum with a maturity date of July 2017 and an amortization period ending May 2036.	731,898	-
Less current portion	25,548	-
Callable debt	706,350	-

Estimated principal repayments are as follows:

	\$
2018	25,548
2019	26,643
2020	27,783
2021	28,972
2022	30,214
Subsequent years	592,738

PEACE RIVER CHILD CARE ASSOCIATION

Notes to the Financial Statements

For the year ended March 31, 2017

10. Deferred revenue

	2017	2016
	\$	\$
Building funds	951,572	954,288
Equipment funds	51,021	21,147
	1,002,593	975,435

Deferred revenue relates to funds received towards the purchase of capital assets. Since capital assets are long-term assets, the deferred revenues are shown as a long-term liability accordingly.

A portion of deferred revenue is recognized each year on a basis consistent with the amortization of the assets purchased with these restricted funds. During the year the Organization received donations of \$11,366 towards the building and allocated \$36,380 of casino funds towards equipment. As the building is now available for use, deferred revenue of \$14,082 was recognized into income in the year (prior year nil). Deferred equipment funds revenue of \$6,506 (prior year \$5,016) was recognized in addition to the casino funds spent on expenses of \$3,402.

11. Allocation of expenses

The Organization engages in child care services that include daycare, dayhomes and Families First. The costs of each program include the costs of general administration, supplies and other expenses that are directly related to providing the program.

The general administration expenses include salaries of the administration personnel that keep the books for all the programs, premises costs for the main building, office supplies, insurance and bank fees. These expenses are allocated between programs based on the space that is occupied by that program or the time that is spent by the administration for that program.

12. Transfers between net assets (liabilities)

During the year, internally restricted building funds were transferred to unrestricted funds as the building was completed. In addition, funds restricted internally from fundraising were transferred to unrestricted funds.

	2017	2016
	\$	\$
Transfer to unrestricted fund from internally restricted building fund	(1,095,493)	(37,930)
Transfer to unrestricted fund from internally restricted fundraising fund	(977)	(6,783)
Net adjustment to unrestricted fund	1,096,470	44,713
	-	-

PEACE RIVER CHILD CARE ASSOCIATION

Notes to the Financial Statements

For the year ended March 31, 2017

13. Lease commitments

The Organization has entered into a lease commitment with the Town of Peace River to lease the land the daycare building is located on. This commitment is for \$1 per year until June 2046.

In a prior year, the Organization also entered into a lease commitment for office space ending June 2017 for \$1,000 per month for the Families First division. Subsequent to year end, a new lease agreement for a different location has been signed effective July 2017 to June 2018 for \$750 per month for the Families First division.

14. Corresponding figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

15. Subsequent events

Subsequent to year-end, the Organization entered into an agreement with the Government of Alberta and received a grant of \$498,000 to cover additional operational costs of developing an Early Learning and Child Care Centre implementing Alberta curriculum changes, creating new child care spaces and capping child care fees at \$25 per day for the year ending March 31, 2018.

PEACE RIVER CHILD CARE ASSOCIATION

Schedules to the Financial Statements

For the year ended March 31, 2017

Schedule of Daycare

Schedule 1

	2017	2017	2016
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
	\$	\$	\$
Revenue:			
Business interruption insurance	233,374	-	208,922
Deferred allocation income	23,990	-	5,016
Infant incentive	5,850	-	-
Other income and donations	831	-	7,422
Parent fees and subsidies	375,298	-	143,791
Staff funding	82,886	-	42,259
Staff support funding	13,164	-	6,641
Subsidy transaction fee	3,252	-	996
	<u>738,645</u>	<u>-</u>	<u>415,047</u>
Expenditures:			
Advertising	1,452	-	598
Amortization	60,095	-	4,688
Audit fees	9,359	-	3,709
Bad debts	5,812	-	11,917
Bank charges	8,573	-	4,317
Bookkeeping	25,226	-	13,490
Child supplies	25,226	-	5,871
Donations	-	-	19,030
Field trips	-	-	48
Food	22,659	-	615
GST expense	3,481	-	3,646
Insurance	12,693	-	4,838
Interest on callable debt	19,098	-	-
Janitor	35,413	-	27,318
Lease expense	1	-	1
Loss (gain) on disposal of capital assets	-	-	22,596
Office	9,522	-	5,359
Professional fees	6,580	-	-
Rent	6,047	-	40,636
Repairs and maintenance	2,861	-	388
Training	7,209	-	5,668
Travel and subsistence	1,057	-	568
Utilities	22,870	-	3,751
Wages and benefits	499,325	-	258,591
	<u>784,559</u>	<u>-</u>	<u>437,643</u>
Deficiency of revenues over expenditures	<u><u>(45,914)</u></u>	<u><u>-</u></u>	<u><u>(22,596)</u></u>

PEACE RIVER CHILD CARE ASSOCIATION

Schedules to the Financial Statements

For the year ended March 31, 2017

Schedule of Dayhomes

Schedule 2

	<u>2017</u>	<u>2017</u>	<u>2016</u>
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
	\$	\$	\$
Revenue:			
Child and Family Services	16,297	-	26,796
Infant incentive	3,750	-	3,750
Parent fees and subsidies	61,699	-	201,885
Provider funding	8,125	-	45,269
Staff support funding	197	-	937
Subsidy transaction fees	348	-	1,332
	<u>90,416</u>	<u>-</u>	<u>279,969</u>
Expenditures:			
Advertising	50	-	484
Audit fees	4,400	-	2,200
Bank charges	146	-	997
Bookkeeping	2,870	-	12,941
Infant incentive	2,400	-	7,350
Insurance	597	-	1,413
Office supplies	213	-	2,151
Provider fees	58,940	-	166,649
Rent and utilities	4,669	-	11,381
Travel	390	-	794
Wages and benefits	15,941	-	72,713
	<u>90,616</u>	<u>-</u>	<u>279,073</u>
(Deficiency) excess of revenues over expenditures	<u><u>(200)</u></u>	<u><u>-</u></u>	<u><u>896</u></u>

PEACE RIVER CHILD CARE ASSOCIATION

Schedules to the Financial Statements

For the year ended March 31, 2017

Schedule of Families First

Schedule 3

	2017	2017	2016
	Actual	Budget	Actual
	\$	\$	\$
Revenue:			
Child and Family Services	90,857	90,857	80,325
Community donations	1,548	-	771
Health Canada	124,916	124,916	163,613
Other revenues	-	-	4,663
	<u>217,321</u>	<u>215,773</u>	<u>249,372</u>
Expenditures:			
Audit fees	3,418	3,415	4,887
Bank charges	-	250	69
Bookkeeping	4,200	4,200	4,076
Community program expenses	1,548	-	771
GST expense	1,188	-	1,197
Insurance	756	1,400	1,666
Office expenses	3,003	2,275	7,624
Professional development	9,624	3,850	6,818
Rent	14,699	15,300	14,525
Resources	13,280	3,400	977
Travel	17,138	13,250	20,254
Utilities	3,015	2,700	2,574
Wages and benefits	148,033	165,733	161,386
	<u>219,902</u>	<u>215,773</u>	<u>226,824</u>
(Deficiency) excess of revenues over expenditures	<u><u>(2,581)</u></u>	<u><u>-</u></u>	<u><u>22,548</u></u>

Schedule of Inclusive

Schedule 4

	2017	2017	2016
	Actual	Budget	Actual
	\$	\$	\$
	-	-	-
Expenditures:			
Audit fees	-	-	2,568
Deficiency of revenues over expenditures	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>(2,568)</u></u>

PEACE RIVER CHILD CARE ASSOCIATION

Schedules to the Financial Statements

For the year ended March 31, 2017

Schedule of Fundraising

Schedule 5

	<u>2017</u>	<u>2017</u>	<u>2016</u>
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
	\$	\$	\$
Revenue:			
Fundraising	4,631	-	5,221
Expenditures:			
Fundraising expense	<u>2,197</u>	<u>-</u>	<u>3,791</u>
Excess of revenues over expenditures	<u><u>2,434</u></u>	<u><u>-</u></u>	<u><u>1,430</u></u>

Schedule of Parent Link

Schedule 6

	<u>2017</u>	<u>2017</u>	<u>2016</u>
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
	\$	\$	\$
	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:			
Audit fees	-	-	5,539
GST expense	-	-	262
Office	-	-	783
Training (recovery)	-	-	(100)
Wages and benefits (recovery)	<u>-</u>	<u>-</u>	<u>(100)</u>
	<u>-</u>	<u>-</u>	<u>6,384</u>
Deficiency of revenues over expenditures	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>(6,384)</u></u>