

PEACE RIVER CHILD CARE ASSOCIATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

PEACE RIVER CHILD CARE ASSOCIATION

Financial Statements

March 31, 2018

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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, 2018**, 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, 2018 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 7, 2018

InVisian
CHARTERED PROFESSIONAL ACCOUNTANTS

PEACE RIVER CHILD CARE ASSOCIATION

Statement of Financial Position

As at March 31, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
ASSETS		
Current:		
Cash (Note 3)	891,994	160,629
Accounts receivable (Note 4)	45,990	100,014
Prepaid expenses (Note 5)	<u>750</u>	<u>7,416</u>
	938,734	268,059
Capital assets (Note 6)	<u>2,778,208</u>	<u>2,816,827</u>
	<u><u>3,716,942</u></u>	<u><u>3,084,886</u></u>
LIABILITIES		
Current:		
Accounts payable (Note 7)	128,433	103,795
Deferred revenue (Note 8)	707,773	58,028
Callable debt (Note 9)	<u>709,020</u>	<u>731,898</u>
	1,545,226	893,721
Deferred revenue (Note 10)	<u>1,021,974</u>	<u>1,002,593</u>
	<u>2,567,200</u>	<u>1,896,314</u>
NET ASSETS		
Internally restricted net assets	72,534	79,327
Externally restricted net assets	28,025	26,186
Unrestricted net assets	<u>1,049,183</u>	<u>1,083,059</u>
	1,149,742	1,188,572
	<u><u>3,716,942</u></u>	<u><u>3,084,886</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, 2018

	<u>Balance, beginning of year</u>	<u>Interfund Transfers (Note 12)</u>	<u>(Deficiency) excess of revenues over expenditures</u>	<u>2018 Balance, end of year</u>
	\$	\$	\$	\$
Internally restricted net assets	79,327	(12,457)	5,664	72,534
Externally restricted net assets	26,186	-	1,839	28,025
Unrestricted net assets	<u>1,083,059</u>	<u>12,457</u>	<u>(46,333)</u>	<u>1,049,183</u>
	<u>1,188,572</u>	<u>-</u>	<u>(38,830)</u>	<u>1,149,742</u>
			Excess	
	Balance, beginning of year	Interfund Transfers (Note 12)	(deficiency) of revenues over expenditures	2017 Balance, end of year
	\$	\$	\$	\$
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>

PEACE RIVER CHILD CARE ASSOCIATION

Statement of Operations

For the year ended March 31, 2018

	<u>2018</u> <u>Actual</u> \$	<u>2018</u> <u>Budget</u> \$	<u>2017</u> <u>Actual</u> \$
Revenues:			
Daycare (Schedule 1)	1,245,948	1,244,400	738,645
Dayhomes (Schedule 2)	19,518	-	90,416
Families First (Schedule 3)	210,837	215,773	217,321
Fundraising (Schedule 4)	<u>12,775</u>	<u>-</u>	<u>4,631</u>
	<u>1,489,078</u>	<u>1,460,173</u>	<u>1,051,013</u>
Expenditures:			
Daycare (Schedule 1)	1,289,573	1,076,515	784,559
Dayhomes (Schedule 2)	22,226	-	90,616
Families First (Schedule 3)	208,998	215,773	219,902
Fundraising (Schedule 4)	<u>7,111</u>	<u>-</u>	<u>2,197</u>
	<u>1,527,908</u>	<u>1,292,288</u>	<u>1,097,274</u>
(Deficiency) excess of revenues over expenditures	<u><u>(38,830)</u></u>	<u><u>167,885</u></u>	<u><u>(46,261)</u></u>

PEACE RIVER CHILD CARE ASSOCIATION

Statement of Cash Flows

For the year ended March 31, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
Operating activities:		
Cash received from parents, subsidies and fundraising	1,182,001	860,326
Cash receipts from Early Learning and Child Care grants	1,028,020	-
Cash paid to suppliers	(406,365)	(584,722)
Cash paid to employees and dayhome providers	(946,007)	(665,962)
Interest paid	(36,941)	(27,816)
	<u>820,708</u>	<u>(418,174)</u>
Financing activities:		
Repayment of callable debt	(22,878)	(18,102)
Proceeds of callable debt	-	750,000
	<u>(22,878)</u>	<u>731,898</u>
Investing activity:		
Purchase of capital assets	(66,465)	(1,023,402)
Increase (decrease) in cash	731,365	(709,678)
Cash, beginning of year	<u>160,629</u>	<u>870,307</u>
Cash, end of year	<u><u>891,994</u></u>	<u><u>160,629</u></u>

PEACE RIVER CHILD CARE ASSOCIATION

Notes to the Financial Statements

For the year ended March 31, 2018

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 and 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, 2018

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, 2018

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) excess 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) excess 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) excess of revenues over expenditures.

(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, 2018

3. Cash

Cash relates to the following funds:

	<u>2018</u>	<u>2017</u>
	\$	\$
General	146,603	62,538
Fundraising	21,848	20,517
Casino	674	666
Families First	64,121	18,099
Raffle	37,782	-
Building	50,984	58,809
Early Learning and Child Care Grant	<u>569,982</u>	<u>-</u>
	<u><u>891,994</u></u>	<u><u>160,629</u></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 \$64,121 (prior year \$18,099).

4. Accounts receivable

	<u>2018</u>	<u>2017</u>
	\$	\$
Trade receivables	57,372	58,269
Allowance for doubtful accounts	(18,887)	(12,287)
GST receivable	7,236	11,502
GST receivable - Families First	269	894
Public Health receivable - Families First	<u>-</u>	<u>41,636</u>
	<u><u>45,990</u></u>	<u><u>100,014</u></u>

5. Prepaid expenses

	<u>2018</u>	<u>2017</u>
	\$	\$
Rent - Families First	-	1,225
Security deposits	-	700
Training and travel expenses - Families First	-	5,491
Damage deposit - Families First	<u>750</u>	<u>-</u>
	<u><u>750</u></u>	<u><u>7,416</u></u>

PEACE RIVER CHILD CARE ASSOCIATION

Notes to the Financial Statements

For the year ended March 31, 2018

6. Capital assets

	2018		2017	
Cost	Accumulated amortization	Net Book Value	Net Book Value	
\$	\$	\$	\$	
Building	2,644,992	93,699	2,551,293	2,600,856
Furniture & equipment	313,682	86,767	226,915	215,971
	2,958,674	180,466	2,778,208	2,816,827

7. Accounts payable

	2018	2017
	\$	\$
Trade payables	93,883	74,634
Trade payables - Families First	11,150	9,318
Payroll remittances payable	20,006	15,930
Payroll remittances payable - Families First	3,394	3,913
	128,433	103,795

8. Deferred revenue

	2018	2017
	\$	\$
Parent fees	28,327	14,389
Parent deposits	44,800	22,000
Donations for community programs - Families First	16,040	20,973
ELCC Grant funds	569,982	-
Casino funds	674	666
Raffle funds	38,082	-
Public Health - Families First	9,868	-
	707,773	58,028

PEACE RIVER CHILD CARE ASSOCIATION

Notes to the Financial Statements

For the year ended March 31, 2018

8. Deferred revenue (Continued)

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.

Early Learning and Child Care (ELCC) Grant funds are externally restricted for specific purposes including improvements, curriculum, wages and subsidizing daycare fees to allow for \$25 per day cost for parents.

Casino funds and raffle funds are externally restricted for specific purposes to be approved by the Alberta Gaming and Liquor Commission (AGLC).

Deferred Public Health income relates to unused funds approved for transfer to the 2018-2019 fiscal year for the Families First program.

9. Callable debt

	2018	2017
	\$	\$
Term bank loan with general security agreement and building with a net book value of \$2,551,293 pledged as security, repayable in monthly installments of \$4,650 including interest at prime plus 1.5% per annum with a renewal date of July 2018 and an amortization period ending May 2036.	709,020	731,898
Less current portion	21,180	25,548
Callable debt	687,840	706,350

Estimated principal repayments are as follows:

	\$
2019	21,180
2020	22,252
2021	23,379
2022	24,563
2023	25,807
Subsequent years	591,839

PEACE RIVER CHILD CARE ASSOCIATION

Notes to the Financial Statements

For the year ended March 31, 2018

10. **Deferred revenue**

	2018	2017
	\$	\$
Building funds	927,430	951,572
Equipment funds	94,544	51,021
	1,021,974	1,002,593

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. Deferred revenue has been recognized related to the building in the amount of \$24,141 (prior year \$14,082) and related to equipment in the amount of \$16,781 (prior year \$6,506). Casino funds spent were nil (prior year \$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 buildings funds were transferred to unrestricted funds for purposes of paying for repairs to the building. In addition, funds restricted internally from fundraising were transferred to unrestricted funds for general use.

	2018	2017
	\$	\$
Transfer to unrestricted fund from internally restricted building fund	(7,824)	(1,095,493)
Transfer to unrestricted fund from internally restricted fundraising fund	(4,633)	(977)
Net adjustment to unrestricted fund	12,457	1,096,470
	-	-

PEACE RIVER CHILD CARE ASSOCIATION

Notes to the Financial Statements

For the year ended March 31, 2018

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.

During the year, the Organization also entered into a lease commitment for office space ending June 2018 for \$750 per month for the Families First division.

14. Financial instruments

The organization is exposed to various financial risks through transactions in financial instruments. The following provides helpful information in assessing the extent of the Company's exposure to these risks.

(a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The organization has no foreign currency transactions and therefore is not exposed to currency risk.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risk relates to its accounts receivable. The organization reduces this risk by obtaining deposits from customers before childcare is provided and by requiring payment from parents in advance of the month services are to be rendered. If payment is not made, the Organization uses services of a collection agency for those accounts deemed necessary.

(c) Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its accounts payable, accrued liabilities and callable debt.

(d) 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 is exposed to interest rate risk on its floating interest rate callable debt. Floating-rate financial instruments subject the organization to a cash flow risk.

PEACE RIVER CHILD CARE ASSOCIATION

Schedules to the Financial Statements

For the year ended March 31, 2018

Schedule of Daycare

Schedule 1

	<u>2018</u>	<u>2018</u>	<u>2017</u>
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
	\$	\$	\$
Revenue:			
Business interruption insurance	-	-	233,374
Deferred allocation income	40,922	-	23,990
ELCC Grant income	397,736	498,000	-
Infant incentive	13,500	14,400	5,850
Other income and donations	15,083	-	831
Parent fees and subsidies	621,669	612,000	375,298
Staff funding	130,628	120,000	82,886
Staff support funding	20,302	-	13,164
Subsidy transaction fee	6,108	-	3,252
	<u>1,245,948</u>	<u>1,244,400</u>	<u>738,645</u>
Expenditures:			
Advertising	922	-	1,452
Amortization	105,084	-	60,095
Audit fees	9,184	12,000	9,359
Bad debts	7,585	-	5,812
Bank charges	3,911	6,000	8,573
Bookkeeping	26,814	24,000	25,226
Child supplies	14,624	5,400	25,226
Field trips	638	-	-
Food	70,651	54,000	22,659
GST expense	4,768	-	3,481
Insurance	9,770	10,200	12,693
Interest on callable debt	32,923	32,923	19,098
Janitor	53,781	45,672	35,413
Lease expense	1	-	1
Office	9,726	6,000	9,522
Professional fees	2,315	-	6,580
Rent	-	-	6,047
Repairs and maintenance	10,935	4,800	2,861
Training	2,573	6,000	7,209
Travel and subsistence	484	-	1,057
Utilities	37,774	48,000	22,870
Wages and benefits	885,110	821,520	499,325
	<u>1,289,573</u>	<u>1,076,515</u>	<u>784,559</u>
(Deficiency) excess of revenues over expenditures	<u><u>(43,625)</u></u>	<u><u>167,885</u></u>	<u><u>(45,914)</u></u>

PEACE RIVER CHILD CARE ASSOCIATION

Schedules to the Financial Statements

For the year ended March 31, 2018

Schedule of Dayhomes

Schedule 2

	<u>2018</u> <u>Actual</u> \$	<u>2018</u> <u>Budget</u> \$	<u>2017</u> <u>Actual</u> \$
Revenue:			
Child and Family Services	4,420	-	16,297
Infant incentive	1,500	-	3,750
Parent fees and subsidies	12,478	-	61,699
Provider funding	-	-	8,125
Quality enhancement funds	1,000	-	-
Staff support funding	-	-	197
Subsidy transaction fees	120	-	348
	<u>19,518</u>	<u>-</u>	<u>90,416</u>
Expenditures:			
Advertising	12	-	49
Audit fees	4,400	-	4,400
Bank charges	55	-	147
Bookkeeping	315	-	2,870
Infant incentive	1,500	-	2,400
Insurance	777	-	597
Office supplies	150	-	213
Provider fees	14,163	-	58,940
Rent and utilities	599	-	4,669
Travel	51	-	390
Wages and benefits	204	-	15,941
	<u>22,226</u>	<u>-</u>	<u>90,616</u>
Deficiency of revenues over expenditures	<u>(2,708)</u>	<u>-</u>	<u>(200)</u>

PEACE RIVER CHILD CARE ASSOCIATION

Schedules to the Financial Statements

For the year ended March 31, 2018

Schedule of Families First

Schedule 3

	2018	2018	2017
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
	\$	\$	\$
Revenue:			
Child and Family Services	90,857	90,857	90,857
Community donations	4,932	-	1,548
Public Health	<u>115,048</u>	<u>124,916</u>	<u>124,916</u>
	<u>210,837</u>	<u>215,773</u>	<u>217,321</u>
Expenditures:			
Audit fees	3,418	3,416	3,418
Bank charges	53	-	-
Bookkeeping	8,334	4,200	4,200
Community program expenses	4,932	-	1,548
GST expense	1,001	-	1,188
Insurance	2,419	2,159	756
Office expenses	7,190	7,162	3,003
Organization memberships	284	284	-
Professional development	11,032	4,100	9,624
Promotion and advertising	542	485	-
Rent	12,885	15,300	14,699
Resources	13,464	14,317	13,280
Travel	13,340	14,460	17,138
Utilities	4,417	3,200	3,015
Wages and benefits	<u>125,687</u>	<u>146,690</u>	<u>148,033</u>
	<u>208,998</u>	<u>215,773</u>	<u>219,902</u>
Excess (deficiency) of revenues over expenditures	<u><u>1,839</u></u>	<u><u>-</u></u>	<u><u>(2,581)</u></u>

PEACE RIVER CHILD CARE ASSOCIATION

Schedules to the Financial Statements

For the year ended March 31, 2018

Schedule of Fundraising

Schedule 4

	<u>2018</u> <u>Actual</u> \$	<u>2018</u> <u>Budget</u> \$	<u>2017</u> <u>Actual</u> \$
Revenue:			
Fundraising	12,775	-	4,631
Expenditures:			
Fundraising expense	<u>7,111</u>	<u>-</u>	<u>2,197</u>
Excess of revenues over expenditures	<u><u>5,664</u></u>	<u><u>-</u></u>	<u><u>2,434</u></u>