

PEACE RIVER CHILD CARE ASSOCIATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2023

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CHARTERED PROFESSIONAL ACCOUNTANTS

PEACE RIVER CHILD CARE ASSOCIATION

Financial Statements

March 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the board of directors of **Peace River Child Care Association**

Qualified Opinion

We have audited the financial statements of **Peace River Child Care Association**, which comprise the statement of financial position as at **March 31, 2023**, and the statements of changes in net assets, operations, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at **March 31, 2023**, and its 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 (ASNPO).

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.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's 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 qualified opinion.

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 ASNPO, 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's 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 auditor's 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:

- 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 auditor's 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 auditor's 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.

Peace River, Alberta
June 13, 2023


CHARTERED PROFESSIONAL ACCOUNTANTS

PEACE RIVER CHILD CARE ASSOCIATION

Statement of Financial Position

As at March 31, 2023

	<u>2023</u>	<u>2022</u>
	\$	\$
ASSETS		
Current:		
Cash (Note 3)	409,268	357,139
Accounts receivable (Note 4)	<u>81,687</u>	<u>87,337</u>
	490,955	444,476
Capital assets (Note 5)	<u>2,302,687</u>	<u>2,388,838</u>
	<u><u>2,793,642</u></u>	<u><u>2,833,314</u></u>
LIABILITIES		
Current:		
Accounts payable (Note 6)	193,723	131,493
Deferred revenue (Note 7)	104,923	134,631
Callable debt (Note 8)	594,198	610,186
Current portion of long-term debt	<u>-</u>	<u>40,000</u>
	892,844	916,310
Deferred capital contributions (Note 10)	<u>822,009</u>	<u>854,345</u>
	<u><u>1,714,853</u></u>	<u><u>1,770,655</u></u>
NET ASSETS		
Internally restricted net assets	139,452	92,367
Unrestricted net assets	<u>939,337</u>	<u>970,292</u>
	<u>1,078,789</u>	<u>1,062,659</u>
	<u><u>2,793,642</u></u>	<u><u>2,833,314</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, 2023

	<u>Balance, beginning of year</u>	<u>Interfund transfers (Note 11)</u>	<u>Excess (deficiency) of revenues over expenditures</u>	<u>2023 Balance, end of year</u>
	\$	\$	\$	\$
Internally restricted net assets	92,367	(10,320)	57,405	139,452
Unrestricted net assets	<u>970,292</u>	<u>10,320</u>	<u>(41,275)</u>	<u>939,337</u>
	<u>1,062,659</u>	<u>-</u>	<u>16,130</u>	<u>1,078,789</u>
	<u>Balance, beginning of year</u>	<u>Interfund transfers (Note 11)</u>	<u>Excess (deficiency) of revenues over expenditures</u>	<u>2022 Balance, end of year</u>
	\$	\$	\$	\$
Internally restricted net assets	94,947	(8,655)	6,075	92,367
Unrestricted net assets	<u>1,088,547</u>	<u>8,655</u>	<u>(126,910)</u>	<u>970,292</u>
	<u>1,183,494</u>	<u>-</u>	<u>(120,835)</u>	<u>1,062,659</u>

PEACE RIVER CHILD CARE ASSOCIATION

Statement of Operations

For the year ended March 31, 2023

	<u>2023</u>	<u>2023</u>	<u>2022</u>
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
	\$	\$	\$
Revenues:			
Affordability grant	419,790	419,790	54,500
Deferred allocation income	32,337	-	45,389
Federal loan forgiveness, rent and wage subsidies	10,000	-	135,013
Infant incentive	13,650	10,800	6,450
Other income and donations	9,986	-	6,629
Parent fees and subsidies	680,579	1,201,698	711,633
Provincial COVID relief subsidies	-	-	53,334
Staff funding and other operating grants	<u>254,457</u>	<u>319,368</u>	<u>170,788</u>
	<u>1,420,799</u>	<u>1,951,656</u>	<u>1,183,736</u>
Expenditures:			
Advertising	518	1,200	1,250
Amortization	73,092	-	98,534
Audit fees	10,000	12,000	14,500
Bad debts	702	-	609
Bank charges	6,150	7,200	6,239
Bookkeeping	35,400	35,400	34,143
Child supplies	30,500	20,868	17,279
Event expenses	280	7,500	1,013
Field trips	-	-	76
GST expense	5,636	-	3,959
Insurance	21,269	15,000	14,565
Interest on callable debt	39,812	39,812	24,886
Lease expense	1	1	1
Office expense	12,212	15,000	11,424
Professional fees	-	-	1,050
Repairs and maintenance	28,294	21,000	15,686
Training	3,009	9,000	2,325
Utilities	41,725	33,600	33,095
Wages and benefits	<u>1,170,814</u>	<u>1,722,800</u>	<u>1,030,012</u>
	<u>1,479,414</u>	<u>1,940,381</u>	<u>1,310,646</u>
(Deficiency) excess of revenues over expenditures from operations	<u>(58,615)</u>	<u>11,275</u>	<u>(126,910)</u>
Other income:			
Gain on disposal of capital assets	17,340	-	-
Fundraising income (Schedule 1)	<u>57,405</u>	<u>-</u>	<u>6,075</u>
	<u>74,745</u>	<u>-</u>	<u>6,075</u>
Excess (deficiency) of revenues over expenditures	<u><u>16,130</u></u>	<u><u>11,275</u></u>	<u><u>(120,835)</u></u>

PEACE RIVER CHILD CARE ASSOCIATION

Statement of Cash Flows

For the year ended March 31, 2023

	<u>2023</u>	<u>2022</u>
	\$	\$
Operating activities:		
Cash received from parents and subsidies	1,391,008	922,152
Cash received from fundraising and donations	183,690	69,412
Cash received from government subsidies related to COVID-19	-	224,840
Cash paid to suppliers	(193,924)	(152,718)
Cash paid to suppliers for fundraising	(146,410)	(32,916)
Cash paid for wages and benefits	(1,129,380)	(1,022,104)
Interest paid	(45,962)	(31,125)
Interest received	8,696	2,171
	<u>67,718</u>	<u>(20,288)</u>
Financing activities:		
Repayment of callable debt	(15,988)	(30,914)
Repayment of long-term debt	(30,000)	-
	<u>(45,988)</u>	<u>(30,914)</u>
Investing activities:		
Purchase of capital assets	(4,731)	(20,174)
Proceeds on disposal of capital assets	35,130	-
	<u>30,399</u>	<u>(20,174)</u>
Increase (decrease) in cash	52,129	(71,376)
Cash, beginning of year	<u>357,139</u>	<u>428,515</u>
Cash, end of year	<u><u>409,268</u></u>	<u><u>357,139</u></u>

PEACE RIVER CHILD CARE ASSOCIATION

Notes to the Financial Statements

For the year ended March 31, 2023

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 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 accounting 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. Two funds are maintained - Internally 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.

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 program.

(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, 2023

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, raffle funds, 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.

The Organization participates in government wage and rent assistance programs. Due to ongoing program changes and the timing of approval by administering agencies, program payment revenue is recorded when the amounts can be reasonably determined.

(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, 2023

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 excess (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, callable debt and long-term 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 excess (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 excess (deficiency) 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, 2023

3. Cash

Cash relates to the following funds:

	2023	2022
	\$	\$
Building	51,889	25,174
Casino	23,456	39,480
Fundraising	70,264	67,194
General	197,539	173,111
Raffle	66,120	52,181
	409,268	357,140

The Building and Fundraising funds are internally restricted for special use as to be determined by the board. The Casino and Raffle funds are externally restricted for specific purposes.

4. Accounts receivable

	2023	2022
	\$	\$
Trade receivables	54,021	46,717
Allowance for doubtful accounts	(11,759)	(10,842)
GST receivable	2,712	1,989
Affordability grant	36,713	49,473
	81,687	87,337

5. Capital assets

	2023		2022	
	Cost	Accumulated amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Building	2,659,889	391,975	2,267,914	2,323,019
Furniture and equipment	268,915	234,142	34,773	65,819
	2,928,804	626,117	2,302,687	2,388,838

PEACE RIVER CHILD CARE ASSOCIATION

Notes to the Financial Statements

For the year ended March 31, 2023

6. Accounts payable

	2023	2022
	\$	\$
Trade payables	141,165	111,668
Affordability grant overpayment	28,175	-
Payroll remittances payable	24,383	19,825
	193,723	131,493

7. Deferred revenue

	2023	2022
	\$	\$
Parent fees	25,286	33,570
Parent deposits	9,000	9,400
Casino funds	6,179	39,480
Raffle funds	64,458	52,181
	104,923	134,631

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.

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

8. Callable debt

	2023	2022
	\$	\$
Term bank loan with general security agreement and building with a net book value of \$2,245,113 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 2023 and an amortization period ending June 2048.	594,198	610,186
Less current portion	7,348	30,760
Callable debt	586,850	579,426

PEACE RIVER CHILD CARE ASSOCIATION

Notes to the Financial Statements

For the year ended March 31, 2023

8. Callable debt (Continued)

Estimated principal repayments are as follows:

	\$
2024	7,348
2025	7,974
2026	8,652
2027	9,389
2028	10,189
Subsequent years	550,646

9. Long-term debt

	<u>2023</u>	<u>2022</u>
	\$	\$
Canada Emergency Business Account loan repaid during the year	-	40,000
Less current portion	<u>-</u>	<u>40,000</u>
Due beyond one year	<u>-</u>	<u>-</u>

10. Deferred capital contributions

	<u>2023</u>	<u>2022</u>
	\$	\$
Building funds	806,724	830,864
Equipment funds	<u>15,285</u>	<u>23,481</u>
	<u><u>822,009</u></u>	<u><u>854,345</u></u>

Deferred capital contributions 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 capital contributions 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 \$24,141) and related to equipment in the amount of \$8,196 (prior year \$21,248).

PEACE RIVER CHILD CARE ASSOCIATION

Notes to the Financial Statements

For the year ended March 31, 2023

11. Transfers between net assets (liabilities)

During the year, internally restricted building 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.

	<u>2023</u>	<u>2022</u>
	\$	\$
Transfer to unrestricted fund from internally restricted building fund	(26,715)	(3,025)
Transfer from (to) unrestricted fund from internally restricted fundraising fund	37,035	(5,630)
Net adjustment to unrestricted fund	<u>(10,320)</u>	<u>8,655</u>
	<u>-</u>	<u>-</u>

12. 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.

13. 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 Organization's exposure to these risks.

(a) 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 canceling child care if payment is made later than five days after an agreed upon date. If payment is not made, the Organization uses services of a collection agency for those accounts deemed necessary.

(b) 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 and long term debt. The Organization mitigates this risk by monthly review of its net income and cash balances to ensure sufficient funds are available to make payment.

PEACE RIVER CHILD CARE ASSOCIATION

Notes to the Financial Statements

For the year ended March 31, 2023

13. Financial instruments (Continued)

(c) 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.

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.

PEACE RIVER CHILD CARE ASSOCIATION

Schedule to the Financial Statements

For the year ended March 31, 2023

Schedule of Fundraising income

Schedule 1

	2023	2023	2022
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
	\$	\$	\$
Revenue:			
Beer and wine raffle	9,105	-	15,014
Casino	33,228	-	-
Other fundraising	814	-	525
Prize-A-Palooza	13,879	-	14,779
Starlight Gala	129,092	-	-
Super cash raffle	6,359	-	-
Vacation-a-month	11,337	-	8,673
	<u>203,814</u>	<u>-</u>	<u>38,991</u>
Expenditures:			
Advertising	529	-	116
Beer and wine raffle	8,050	-	11,905
Casino	6,156	-	-
Other fundraising	275	-	207
Prize-a-Palooza	13,459	-	12,496
Starlight Gala	100,508	-	-
Super Cash raffle	6,228	-	-
Vacation-a-month	11,204	-	8,192
	<u>146,409</u>	<u>-</u>	<u>32,916</u>
Excess of revenues over expenditures	<u><u>57,405</u></u>	<u><u>-</u></u>	<u><u>6,075</u></u>