Oakville Parent Child Centre

Financial Statements

For the nine months ended December 31, 2018

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To the Board of Directors of
Oakville Parent Child Centre

Independent Auditors' Report

Qualified Opinion

We have audited the accompanying financial statements of Oakville Parent Child Centre (the Centre), which comprise the statement of financial position as at December 31, 2018, and the statement of operations for the nine months then ended, statement of changes in net assets for the nine months then ended, statement of cash flows for the nine months then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Centre as at December 31, 2018 and the results of its operations and its cash flows for the nine months then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Centre derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to amounts recorded in the records of Oakville Parent Child Centre.

Therefore, we were not able to determine whether any adjustments might be necessary to fundraising and donations revenue, deficiency of revenues over expenses, and cash flows from operations for the nine months ended December 31, 2018.

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 Centre 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 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.

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In preparing the financial statements, management is responsible for assessing the Centre'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 Centre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Centre'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 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 Auditing Standards (CASs), 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 Centre'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 Centre'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 Centre to cease to continue as a going concern.

- 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.

April 22, 2019
Burlington, Ontario

SB Partners LLP

Chartered Professional Accountants
Licensed Public Accountants

Oakville Parent Child Centre

Statement of Financial Position

December 31, 2018

Assets

	December 31, 2018	March 31, 2018 (Note 11)
Current assets		
Cash	**$ 240,077**	$ 274,432
Short-term investments (Note 3)	**84,860**	179,731
Accounts receivable	**68,611**	24,445
Prepaids and deposits	**44,473**	29,821
	438,021	508,429
Capital assets (Note 4)	**204,385**	16,304
	$ 642,406	$ 524,733

Liabilities

	December 31, 2018	March 31, 2018 (Note 11)
Current liabilities		
Bank loan (Note 5)	**$ 84,388**	$ -
Accounts payable and accrued liabilities (Note 6)	**77,562**	80,307
Deferred revenue - Grants	**27,157**	86,223
Deferred revenue - Fundraising and donations	**9,507**	8,989
Deferred revenue - Program and registration	**48,095**	80,840
Deferred lease inducements	**42,068**	44,840
	288,777	301,199
Deferred capital contributions (Note 7)	**144,695**	-
	$ 433,472	$ 301,199

Net Assets

	December 31, 2018	March 31, 2018 (Note 11)
Net assets invested in capital assets (Note 8)	**$ 59,690**	$ 16,304
Unrestricted net assets	**149,244**	207,230
	208,934	223,534
	$ 642,406	$ 524,733

Approved on Behalf of the Board

Board of Directors

Board of Directors

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Oakville Parent Child Centre

Statement of Operations

Nine Months Ended December 31, 2018

	Nine months Ended December 31, 2018	Year Ended March 31, 2018 (Note 11)
Revenues		
Operating grants:		
Provincial Funding	**$ -**	$ 493,590
Regional Municipality of Halton	**939,636**	307,610
Other grants	**79,214**	101,203
United Way	**44,388**	65,766
	1,063,238	968,169
Program fees	**383,502**	567,576
Fundraising and donations	**54,856**	87,653
Amortization of deferred capital contributions (Note 7)	**16,401**	-
Other	**1,712**	4,722
	1,519,709	1,628,120
Expenses		
Salaries, benefits and contractors	**885,861**	1,037,214
Occupancy costs	**215,500**	287,776
Program supplies	**176,203**	32,418
Trillium grant expenses	**60,130**	73,740
Professional fees	**58,028**	51,312
Office supplies	**46,751**	49,526
Amortization	**27,556**	6,166
Fundraising expense	**20,963**	18,727
Advertising and promotion	**20,154**	10,574
Training and development	**17,830**	5,425
Other	**5,333**	5,554
	1,534,309	1,578,432
Excess (deficiency) of revenues over expenses	**$ (14,600)**	$ 49,688

Oakville Parent Child Centre

Statement of Changes in Net Assets

Nine Months Ended December 31, 2018

	Invested in Capital Assets (Note 8)	Unrestricted	December 31, 2018	March 31, 2018 (Note 11)
Net assets, beginning of period	**16,304**	**207,230**	**223,534**	173,846
Excess (deficiency) of revenues over expenses	**(11,156)**	**(3,444)**	**(14,600)**	49,688
Interfund transfers	**54,542**	**(54,542)**	**-**	-
Net assets, end of period	**59,690**	**149,244**	**208,934**	223,534

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Oakville Parent Child Centre

Statement of Cash Flows

Nine Months Ended December 31, 2018

	Nine months Ended December 31, 2018	Year Ended March 31, 2018 (Note 11)
Cash flows from operating activities		
Excess (deficiency) of revenues over expenses	**$ (14,600)**	$ 49,688
Charges not involving cash		
Amortization of capital assets	**27,556**	6,166
Amortization of deferred capital contributions	**(16,400)**	-
Net changes in lease inducement	**(2,772)**	(3,408)
	(6,216)	52,446
Net change in accounts receivable	**(44,166)**	2,222
Net change in prepaid expenses and deposits	**(14,652)**	5,116
Net change in accounts payable and accrued liabilities	**(2,745)**	(38,820)
Net change in other operating working capital balances	**(6,905)**	25,762
Cash flows from (used in) operating activities	**(74,684)**	46,726
Cash flows from investing activities		
Decrease (increase) in short-term investments	**94,871**	(2,484)
Funded capital contributions	**161,095**	-
Purchase of capital assets	**(215,637)**	(15,311)
Cash flows from (used in) investing activities	**40,329**	(17,795)
Net increase (decrease) in cash	**(34,355)**	28,931
Cash, beginning of period	**274,432**	245,501
Cash, end of period	**$ 240,077**	$ 274,432

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1. Nature of Operations

The Oakville Parent Child Centre (the "Centre") is a not-for-profit charitable organization, incorporated without share capital under the laws of Ontario on November 30, 1983. The Centre is a not-for-profit organization under the Canadian Income Tax Act and is exempt for income tax purposes provided certain requirements of the Canadian Income Tax Act are met. The Centre's mission is to support, nurture and empower children and their families as they learn and grow together.

2. Significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

The Centre had a change in fiscal year-end from March 31 to December 31. These financial statements have been prepared for the nine months ended December 31.

Short-term investments

Investments with maturities less than one year are classified as short-term investments. Due to their short-term maturity the carrying value of short-term investments approximates fair value.

Financial instruments

The Centre's financial instruments consist of cash, short-term investments, accounts receivable, bank loan, accounts payable and accrued liabilities. All financial instruments are initially recognized at fair value and subsequently measured at amortized cost. Transaction costs and financing fees associated with financial instruments carried at amortized cost are recorded as adjustments to the initial fair value recognized and amortized over the life of the financial instrument.

Capital assets

Purchased capital assets are recorded at acquisition cost. Donated capital assets are recorded at fair value at the date of contribution. Amortization is provided as follows:

Computer equipment	2- 3 year straight-line
Furniture and fixtures	5 year straight-line
Leasehold improvements	Term of lease

One-half the normal rate of amortization is provided for in the year of acquisition.

Revenue recognition

The Centre's programs and operations are funded through various sources, including grants, fundraising activities and program fees. Prior to January 1, 2018, the Centre was an Ontario Early Years Centre, funded by the Province of Ontario, through the Ministry of Education. Effective January 1, 2018, the Centre is an Ontario EarlyON centre funded by the Regional Municipality of Halton (the "Region"). The Centre is currently operating under a three year funding agreement with the Region that expires December 31, 2020. The funding is restricted for qualified expenses and generally requires the Centre to repay contributions which are not

2. Significant accounting policies (cont'd.)

spent by the end of the funding year.

The Centre follows the deferral method of accounting for contributions, including income from donations and fundraising. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital 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.

Grants, program fees and registration fees received related to expenses to be incurred or programs to be run in future years are recorded as deferred revenue.

Use of estimates

The preparation of financial statements 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 expense during the period. Actual results could differ from those estimates.

3. Short-term investments

Short-term investments include guaranteed investment certificates with an average interest rate of 2.0% (March 2018 - 1.38%) with maturities less than one year.

4. Capital assets

	Cost	Accumulated Amortization	December 31, 2018	March 31, 2018
Computer equipment	**$ 72,586**	**$ 37,190**	**$ 35,396**	$ 2,414
Furniture and fixtures	**98,157**	**50,834**	**47,323**	3,305
Leasehold improvements	**720,626**	**598,960**	**121,666**	10,585
	$ 891,369	**$ 686,984**	**$ 204,385**	$ 16,304

5. Bank loan

The bank loan is secured by all assets and underakings of the Centre. The bank loan is repayable at $2,592 per month in blended principal plus interest payments at TD Prime Rate plus 2.85% per annum. The bank loan was obtained for cash flow-requirements in December 2018, and was fully repaid subsequent to year-end. The agreement was terminated on January 25, 2019.

6. Accounts payable and accrued liabilities

	December 31, 2018	March 31, 2018
Accounts payable and accrued liabilities	**$ 67,628**	$ 49,240
Government remittances payable	**9,934**	31,067
	$ 77,562	$ 80,307

7. Deferred capital contributions

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the Statement of Operations. There were no deferred capital contributions received previously.

	December 31, 2018	March 31, 2018
Contributions received	**161,095**	-
Amounts amortized to revenue	**(16,400)**	-
	$ 144,695	$ -

8. Invested in capital assets

a) Investment in capital assets is calculated as follows:

	December 31, 2018	March 31, 2018
Capital assets	**$ 204,385**	$ 16,304
Amounts financed by deferred capital contributions	**(144,695)**	-
	$ 59,690	$ 16,304

b) The change in net assets invested in capital assets is as follows:

	December 31, 2018	March 31, 2018
Amortization of deferred capital contributions	**$ 16,400**	$ -
Amortization of capital assets	**(27,556)**	(6,166)
	$ (11,156)	$ (6,166)

Interfund Transfers		
Purchase of capital assets	**$ 215,637**	$ 15,311
Amounts funded by		
Deferred capital contributions	**(161,095)**	-
	$ 54,542	$ 15,311

9. Operating lease commitments

Future minimum payments for operating leases that have initial or remaining terms of one year or more consist of the following amounts:

	Premises
2019	$ 215,522
2020	189,391
2021	191,981
2022	194,637
2023	195,282
Thereafter	47,867
	$ 1,034,680

10. Financial risks

Liquidity risk

The Centre's exposure to liquidity risk is dependent on the raising of funds to meet commitments, obligations, and sustaining operations. The Centre controls liquidity risk by management of working capital and cash flows.

Unless otherwise noted, it is management's opinion that the Centre is not exposed to significant credit, interest, market, or currency risks.

11. Comparative information

The comparative figures for March 31, 2018 have been reclassified where necessary to conform with the December 31, 2018 financial statement presentation.