

MILTON COMMUNITY RESOURCE CENTRE
FINANCIAL STATEMENTS
AS AT
DECEMBER 31, 2020

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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, 2020, 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, 2020 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:



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
June 30, 2021

MILTON COMMUNITY RESOURCE CENTRE

Balance sheet

As at December 31, 2020

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 1,535,992	1,130,309
Short-term investments	735,244	720,980
Accounts receivable (Note 5)	561,502	345,428
Prepaid expenses	89,590	100,211
	2,922,328	2,296,928
Capital assets (Note 6)	349,602	428,188
	\$ 3,271,930	2,725,116
Liabilities and operating reserve		
Current liabilities		
Accounts payable and accrued liabilities	\$ 246,936	240,925
Government remittances payable	64,409	54,364
Unutilized grants and advance billings (Note 7)	694,641	260,625
	1,005,986	555,914
Long-term liabilities		
Unutilized capital grants (Note 8)	157,051	196,408
	1,163,037	752,322
Net assets		
Operating reserve	2,108,893	1,972,794
	\$ 3,271,930	2,725,116

Contingent liability (Note 10)

Approved by the Board

Director_____
Director

MILTON COMMUNITY RESOURCE CENTRE

Statement of changes in net assets

For the year ended December 31, 2020

	2020	2019
Operating reserve		
Balance, beginning of year	\$ 1,972,794	1,472,872
Operating surplus reserve for year	136,099	494,093
Transfer from capital reserve	-	5,829
Balance, end of year	\$ 2,108,893	1,972,794

	2020	2019
Capital reserve		
Balance, beginning of year	\$ -	5,829
Transfer to operating reserve	-	(5,829)
Balance, end of year	\$ -	-



MILTON COMMUNITY RESOURCE CENTRE**Statement of revenue and expenditure****For the year ended December 31, 2020**

	2020	2019
Revenue		
Grants and subsidy		
Grants	\$ 2,997,368	3,389,449
Subsidies	632,180	1,047,293
Special purpose grants (Note 11)	426,894	428,599
Subtotal	4,056,442	4,865,341
Add utilized capital grants	44,163	37,226
Total grants and subsidy	4,100,605	4,902,567
Programs (Note 12)	2,671,702	5,857,461
Community agency rental	31,935	83,708
Donations	5,847	4,154
Fund raising	28,427	39,368
Interest income	24,275	41,084
	6,862,791	10,928,342
Expenditure		
Advertising and promotion	2,760	4,164
Amortization	124,473	91,754
Bank charges	38,103	85,368
Dues	8,500	10,941
Education	8,331	18,449
Fund raising	8,363	18,929
Insurance	41,821	38,619
Maintenance	66,276	58,852
Office and miscellaneous	76,790	148,121
Private Home Child Care Provider fees	100,476	125,770
Professional fees	18,967	56,024
Program supplies	226,124	454,489
Property tax	64,200	68,307
Rent	758,327	895,002
Salaries and benefits	7,046,647	6,768,684
Shared administration (Note 13)	1,176,200	1,034,809
Special purpose grants (Note 11)	426,894	428,599
Telephone	28,668	34,853
Utilities	15,710	26,647
Workshops	9,319	42,028
	10,246,949	10,410,409
Operating (deficit) surplus for year, before other	(3,384,158)	517,933
Other		
Government assistance (Note 17)	3,520,257	-
Loss on disposal of capital assets	-	(17,189)
Transfer from prior year to The Regional Municipality of Halton	-	(6,651)
	3,520,257	(23,840)
Operating surplus reserve for year	\$ 136,099	494,093



MILTON COMMUNITY RESOURCE CENTRE**Statement of cash flows****For the year ended December 31, 2020**

	2020	2019
Cash flows from (used in) operating activities		
Operating surplus reserve for year	\$ 136,099	494,093
Adjustments for		
Amortization of capital assets	124,473	91,754
Amortization of unutilized capital grants	(44,163)	-
Loss on disposal of capital assets	-	17,189
	216,409	603,036
Changes in non-cash working capital		
Increase in short-term investments	(14,264)	(215,535)
Increase in accounts receivable	(216,074)	(9,618)
Decrease (increase) in prepaid expenses	10,621	(33,222)
Increase in accounts payable and accrued liabilities	6,011	25,614
Increase in government remittances payable	10,045	25,248
Increase in unutilized grants and advance billings	434,016	2,464
Cash flows from operating activities	446,764	397,987
Cash flows from (used in) investing activities		
Acquisition of capital assets	(45,887)	(203,230)
Cash flows used in investing activities	(45,887)	(203,230)
Cash flows from (used in) financing activities		
Increase in unutilized capital grants	4,806	50,372
Cash flows from financing activities	4,806	50,372
Net increase in cash and cash equivalents during year	405,683	245,129
Cash and cash equivalents, beginning of year	1,130,309	885,180
Cash and cash equivalents, end of year	\$ 1,535,992	1,130,309



MILTON COMMUNITY RESOURCE CENTRE

Schedule to statement of revenue and expenditure

Ministry of Health and Long-Term Care

For the year ended December 31, 2020

	2020*	2019*
Revenue		
Grants and subsidy		
Ministry of Health and Long-Term Care	\$ 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	\$ -	-

* Allocations of expenses are unaudited.



MILTON COMMUNITY RESOURCE CENTRE

Notes to financial statements

As at December 31, 2020

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

During the year, MCRC was advised by The Regional Municipality of Halton of a potential reduction to The Halton Resource Connection ("THRC") grant funding. In the current fiscal year, the grant funding represented approximately 19% (2019 – 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.



MILTON COMMUNITY RESOURCE CENTRE

Notes to financial statements

As at December 31, 2020

3. Significant accounting policies – continued

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.

d) Short-term investments

The short-term investments are recorded at fair market value.

e) 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

Playscape
Straight-line basis over 5 years

Computer equipment
30% diminishing balance basis

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

f) 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.



MILTON COMMUNITY RESOURCE CENTRE

Notes to financial statements

As at December 31, 2020

3. Significant accounting policies – continued

g) 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.

h) Utilized grants and advance billings

Utilized grants consist of grants received for program expenses incurred after December 31, 2020, and any excess amounts being returned. Advance billings consist of funds collected for program expenses incurred after December 31, 2020.

i) Government assistance

Government assistance for salaries and property expenses received as a result of the Canada Emergency Wage Subsidy, the Canada Emergency Rent Subsidy and the Canada Emergency Commercial Rent Assistance programs are recorded to be consistent with government guidelines when the organization has qualified. This government assistance is recorded as other income for financial statement purposes.

j) 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.



MILTON COMMUNITY RESOURCE CENTRE

Notes to financial statements

As at December 31, 2020

4. Financial instruments – continued

b) Market risk – continued

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.
- investing in liquid fixed income securities and cash equivalents that, if necessary, can be sold to generate cash flow.

5. Accounts receivable

	2020	2019
Accounts receivable	\$ 125,749	243,159
HST receivable	42,259	102,269
Allowance for bad debts	(1,143)	-
Canada Emergency Wage Subsidy	310,181	-
Canada Emergency Rent Subsidy	84,456	-
	<u>\$ 561,502</u>	<u>345,428</u>



MILTON COMMUNITY RESOURCE CENTRE

Notes to financial statements

As at December 31, 2020

6. Capital assets

		2020		2019
	Cost	Accumulated amortization	Net	Net
Furniture and equipment	\$ 251,904	129,407	122,497	101,499
Computer equipment	117,684	89,756	27,928	39,897
Playscape	251,307	75,392	175,915	226,176
Leasehold improvements	200,255	176,993	23,262	60,616
	<u>\$ 821,150</u>	<u>471,548</u>	<u>349,602</u>	<u>428,188</u>

Amortization recorded during the year amounted to \$124,473 (2019 - \$91,754).

During the year, capital assets were acquired for cash at an aggregate cost of \$45,887 (2019 - \$203,230).

7. 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 and advanced billings.

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

	2020	2019
Balance, beginning of year	\$ 260,625	258,161
Amount received in the year	4,533,815	4,891,007
Revenue recognized in the year	<u>(4,100,605)</u>	<u>(4,902,567)</u>
Balance, before advanced billings	693,835	246,601
Advanced billings	<u>806</u>	<u>14,024</u>
Balance, end of year	<u>\$ 694,641</u>	<u>260,625</u>



MILTON COMMUNITY RESOURCE CENTRE

Notes to financial statements

As at December 31, 2020

8. 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:

	2020	2019
Balance, beginning of year	\$ 196,408	146,036
Amount received in the year	4,806	87,598
Revenue recognized in the year	<u>(44,163)</u>	<u>(37,226)</u>
Balance, end of year	<u>\$ 157,051</u>	<u>196,408</u>

The above unutilized capital grants are comprised of the following:

	2020			2019
	Cost	Accumulated amortization	Net	Net
Furniture and equipment	\$ 81,239	24,161	57,078	65,941
Computer equipment	28,925	13,342	15,583	22,261
Playscape	157,718	80,405	77,313	86,978
Leasehold improvements	38,863	31,786	7,077	21,228
	<u>\$ 306,745</u>	<u>149,694</u>	<u>157,051</u>	<u>196,408</u>

9. 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.

10. 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, 2020

11. Special purpose grants

Special purpose grants are made up of the following:

	2020	2019
Revenue		
Special purpose grants	\$ 426,894	428,599
Expenditure		
First aid to community	-	11,971
Maintenance	7,688	69,501
Office and miscellaneous	5,907	7,911
Personal protective equipment to community	346,644	-
Private Home Child Care Provider fees	13,385	14,300
Professional fees	-	24,213
Program supplies	34,844	269,783
Rebates to parents	18,426	30,920
	<u>426,894</u>	<u>428,599</u>
Operating surplus for year	\$ -	-

12. Programs

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

	2020	2019
Infant, toddler and preschool	\$ 1,211,552	2,269,983
Before and after school	1,417,821	3,421,280
Family fun programs	23,035	88,998
Library revenue	19,294	77,200
	<u>\$ 2,671,702</u>	<u>5,857,461</u>

13. Allocation of expenses

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

	2020	2019
Advertising and promotion	\$ 9,936	10,787
Education	1,741	10,919
Maintenance	17,628	34,625
Office and miscellaneous	123,721	102,020
Salaries and benefits	993,161	846,672
Telephone	30,013	29,786
	<u>\$ 1,176,200</u>	<u>1,034,809</u>



MILTON COMMUNITY RESOURCE CENTRE

Notes to financial statements

As at December 31, 2020

14. Operating lease commitments

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

2021	\$	761,934
2022		701,390
2023		675,215
2024		507,476
2025		<u>496,119</u>
	\$	<u>3,142,134</u>

15. Income taxes

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

16. Economic dependence

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

17. Impact of COVID-19

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.

During the year, MCRC recognized \$3,520,257 of government assistance from the Canada Emergency Wage Subsidy, the Canada Emergency Rent Subsidy and the Canada Emergency Commercial Rent Assistance programs.

18. Subsequent events

As of April 1, 2021, the Province of Ontario will assume all rights and obligations in respect of all service accountability agreements that have been entered into by the Ministry of Health and Long-Term Care.

