

**Petawawa Military Family  
Resource Centre Incorporated**

**Financial Statements**  
**March 31, 2022**

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# Independent Auditor's Report

To the Directors of  
Petawawa Military Family Resource Centre Incorporated

## Qualified opinion

We have audited the financial statements of Petawawa Military Family Resource Centre Incorporated (hereafter "the Organization"), which comprise the statement of financial position as at March 31, 2022, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible 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, 2022, 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.

## Basis for qualified opinion

In common with many not-for-profit organizations, the Organization derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these contributions was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising, excess of revenues over expenses and cash flows from operating activities for the years ended March 31, 2022 and 2021, current assets as at March 31, 2022 and 2021 and net assets as at April 1, 2021 and 2020 and March 31, 2022 and 2021. Our opinion on the financial statements for the year ended March 31, 2021 was qualified accordingly because of the possible effects of this limitation in scope.

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 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.

### **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.

Chartered Professional Accountants,  
Licensed Public Accountants

Ottawa, Canada  
DATE

# Petawawa Military Family Resource Centre Incorporated

## Operations

Year ended March 31, 2022

	<u>2022</u>	<u>2021</u>
	\$	\$
<b>Revenues</b>		
Contributions		
Directorate of Military Family Support	1,742,069	1,765,783
Garrison Petawawa	374,094	396,667
County of Renfrew	929,797	866,349
Ministry of Training Colleges and Universities	805,650	790,896
Community Resource Centre	2,742	390
Donations and fundraising	23,646	34,529
United Way	5,000	7,617
Day care fees	1,076,308	582,541
Interest income	7,517	8,270
	<u>4,966,823</u>	<u>4,453,042</u>
<b>Expenses</b>		
Salaries and employee benefits	3,748,024	3,108,386
Home day caregiver expenses	134,424	94,254
Professional development and travel	109,087	67,974
Program expenses	718,416	695,157
Office and supplies	165,546	157,305
Professional fees	53,808	30,976
Bank charges	24,763	19,172
Bad debts	15,296	24,004
Amortization of tangible capital assets	37,888	18,807
	<u>5,007,252</u>	<u>4,216,035</u>
	<u>(40,429)</u>	<u>237,007</u>
<b>Other revenues</b>		
Federal government assistance - Canada Emergency Wage Subsidy (Note 13)	138,843	388,809
<b>Excess of revenues over expenses</b>	<u>98,414</u>	<u>625,816</u>

The accompanying notes are an integral part of the financial statements.

# Petawawa Military Family Resource Centre Incorporated

## Changes in Net Assets

Year ended March 31, 2022

	<b>2022</b>			2021
	Invested in capital assets	Unrestricted	Capital and contingency reserve	Total
	\$	\$	\$	\$
Balance beginning of year	<b>47,018</b>	<b>807,160</b>	<b>1,916,740</b>	2,145,102
Excess (deficiency) of revenues over expenses	<b>(37,888)</b>	<b>136,302</b>		625,816
Acquisitions of tangible capital assets	<b>127,936</b>	<b>(127,936)</b>		
Internal restriction (Note 8)		<b>(65,609)</b>	<b>65,609</b>	
Balance, end of year	<b>137,066</b>	<b>749,917</b>	<b>1,982,349</b>	<b>2,770,918</b>

The accompanying notes are an integral part of the financial statements.

# Petawawa Military Family Resource Centre Incorporated

## Cash Flows

Year ended March 31, 2022

	<u>2022</u>	<u>2021</u>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	98,414	625,816
Non-cash items		
Amortization of tangible capital assets	37,888	18,807
Changes in working capital items		
Trade, contributions and other receivables	41,462	(75,171)
Prepaid expenses	28,144	4,752
Trade payables and other operating liabilities	92,700	(141,239)
Deferred revenues	(1,703)	(20,470)
Cash flows from operating activities	<u>296,905</u>	<u>412,495</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of term deposits	(471,604)	
Acquisition of tangible capital assets	(127,936)	
Cash flows from investing activities	<u>(599,540)</u>	
<b>Increase (decrease) in cash</b>	<b>(302,635)</b>	412,495
Cash and cash equivalents, beginning of year	<u>3,005,642</u>	<u>2,593,147</u>
Cash and cash equivalents, end of year	<u><u>2,703,007</u></u>	<u><u>3,005,642</u></u>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash	2,703,007	2,536,217
Term deposits		469,425
	<u><u>2,703,007</u></u>	<u><u>3,005,642</u></u>

The accompanying notes are an integral part of the financial statements.

# Petawawa Military Family Resource Centre Incorporated

## Financial Position

March 31, 2022

	<u>2022</u>	<u>2021</u>
	\$	\$
<b>ASSETS</b>		
Current		
Cash and cash equivalents	2,703,007	3,005,642
Term deposits, bearing interest at rates between 0.48% and 0.52%, maturing in April 2022	471,604	
Trade, contributions and other receivables (Note 4)	263,225	304,687
Prepaid expenses	1,479	29,623
	<u>3,439,315</u>	<u>3,339,952</u>
Long-term		
Tangible capital assets (Note 5)	137,066	47,018
	<u>3,576,381</u>	<u>3,386,970</u>
<b>LIABILITIES</b>		
Current		
Trade payables and other operating liabilities (Note 6)	263,069	170,369
Deferred revenues (Note 7)	443,980	445,683
	<u>707,049</u>	<u>616,052</u>
<b>NET ASSETS</b>		
Invested in capital assets	137,066	47,018
Unrestricted	749,917	807,160
Internally restricted - Capital and contingency reserve (Note 8)	1,982,349	1,916,740
	<u>2,869,332</u>	<u>2,770,918</u>
	<u>3,576,381</u>	<u>3,386,970</u>

The accompanying notes are an integral part of the financial statements.

On behalf of the Board,

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director



# Petawawa Military Family Resource Centre Incorporated

## Notes to Financial Statements

March 31, 2022

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### **1 - GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION**

The Organization is incorporated without share capital under the Ontario Business Corporations Act as a not-for-profit organization. The Organization's principal activities include the provision of family support services for the military community. The Organization is a registered charity under the Income Tax Act and is therefore exempt from income taxes.

### **2 - ACCOUNTING CHANGE**

#### **Financial Instruments Originated or Exchanged in a Related Party Transaction**

On April 1, 2021, the Organization applied the changes to Section 3856, Financial Instruments, of Part II of the *CPA Canada Handbook – Accounting* and Section 4460, Disclosure of Related Party Transactions by Not-for-Profit Organizations, of Part III of the *CPA Canada Handbook – Accounting*. The purpose of these changes is to provide additional recommendations on the accounting treatment of financial instruments originated or exchanged in a related party transaction.

The changes require that financial assets originated or acquired and financial liabilities issued or assumed in a related party transaction be initially measured at cost, with the exception of certain specific financial instruments that are initially measured at fair value. The cost of a financial asset originated or acquired or of a financial liability issued or assumed in these circumstances depends on whether the instrument has repayment terms. When the financial instrument has repayment terms, its cost is determined using the undiscounted cash flows, excluding interest and dividend payments, and less any impairment losses previously recognized by the transferor. The cost of a financial instrument that does not have repayment terms is determined using the consideration transferred or received in the transaction.

The changes generally require that financial assets and liabilities from related party transactions be subsequently measured using the cost method, except for investments in equity instruments that are quoted in an active market which are measured at fair value.

The changes provide additional guidance on how to measure the impairment loss of a financial asset originated or acquired in a related party transaction subsequently measured using the cost method.

The changes also require that an entity recognizes the effect of the forgiveness of a financial asset originated or created in a related party transaction or the extinguishment of a financial liability issued or assumed in a related party transaction in operations or in accordance with the accounting method used to recognize contributions.

In accordance with the transitional provisions, these changes, that are applicable for fiscal years beginning on or after January 1, 2021, have been applied retrospectively taking certain relief measures into account.

Application of the changes did not have any impact on the financial statements for the year ended March 31, 2021.

# Petawawa Military Family Resource Centre Incorporated

## Notes to Financial Statements

March 31, 2022

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### 3 - SUMMARY OF ACCOUNTING POLICIES

#### **Basis of presentation**

The Organization's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

#### **Accounting estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from these estimates.

#### **Revenue recognition**

##### *Contributions*

The Organization follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred. 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.

Since contributions resulting from the Canada Emergency Wage Subsidy may be examined by the tax authorities, retroactive application clarifications were introduced after the program was announced and some rules may be interpreted differently by the tax authorities, it is possible that the amounts granted will differ from the amounts recorded.

##### *Day care fees and program fees*

Revenue from day care fees and program fees is recognized when persuasive evidence of an arrangement exists, services have been rendered, the price to the buyer is fixed or determinable and collection is reasonably assured.

#### **Financial assets and liabilities**

##### *Initial measurement*

Upon initial measurement, the Organization's financial assets and liabilities from transactions not concluded with related parties are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs. The Company's financial assets and liabilities from related party transactions are measured at cost.

##### *Subsequent measurement*

At each reporting date, the Organization measures its financial assets and liabilities from transactions not concluded with related parties at amortized cost (including any impairment in the case of financial assets), whereas those from related party transactions are measured using the cost method (including any impairment in the case of financial assets).

# Petawawa Military Family Resource Centre Incorporated

## Notes to Financial Statements

March 31, 2022

### 3 - SUMMARY OF ACCOUNTING POLICIES (Continued)

With respect to financial assets measured at amortized cost or using the cost method, the Organization assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Organization determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost or using the cost method is recognized in operations in the year the reversal occurs.

#### Cash and cash equivalents

The Organization's policy is to present in cash and cash equivalents bank balances, including bank overdrafts whose balances fluctuate frequently from being positive to overdrawn, and investments with a maximum maturity of three months from the acquisition date or redeemable at any time without penalty.

#### Tangible capital assets

Tangible capital assets acquired are recorded at cost. When the Organization receives contributions of capital assets, their cost is equal to their fair value at the contribution date plus all costs directly attributable to the acquisition of the tangible capital assets, or at a nominal value if fair value cannot be reasonably determined.

#### Amortization

Tangible capital assets are amortized over their estimated useful lives according to the straight-line method over the following periods:

	<u>Periods</u>
Equipment	5 years
Leasehold improvements	Lease term - 10 years
Computer Equipment	3 years

#### Write-down

When conditions indicate that a tangible capital asset is impaired, the net carrying amount of the tangible capital asset is written down to the tangible capital asset's fair value or replacement cost. The write-down is accounted for in the statement of operations and cannot be reversed.

#### Net assets

##### *Invested in capital assets*

The net assets invested in capital assets include amounts used for the purchase of capital assets net of accumulated amortization expense and financing costs for the year ended.

##### *Unrestricted net assets*

The unrestricted net assets is an operating reserve, which has been established for the general operation of the Organization.

# Petawawa Military Family Resource Centre Incorporated

## Notes to Financial Statements

March 31, 2022

### 3 - SUMMARY OF ACCOUNTING POLICIES (Continued)

#### Internally restricted net assets - Capital and contingency reserve

The internally restricted net assets reflect the amounts that have been formally set aside by the Organization to be used for specific purposes as approved by the Board of Directors.

### 4 - TRADE, CONTRIBUTIONS AND OTHER RECEIVABLES

	<u>2022</u>	<u>2021</u>
	\$	\$
Trade accounts receivable (a)	110,910	116,167
Indirect taxes receivable	167,713	92,121
Contributions receivable		120,403
	<u>278,623</u>	<u>328,691</u>
Allowance for impairment	15,398	24,004
	<u>263,225</u>	<u>304,687</u>

- (a) The trade accounts receivable are presented in the financial statements net of an allowance for impairment of \$15,398 (\$24,004 as at March 31, 2021). The amount of the impairment loss related to the trade accounts receivable is \$15,398 for the year (\$24,004 in 2021) and the reversal of a previously recognized impairment loss on the trade accounts receivable is \$375 (\$Nil in 2021).

### 5 - TANGIBLE CAPITAL ASSETS

	<u>2022</u>			<u>2021</u>
	Cost	Accumulated amortization	Net carrying amount	Net carrying amount
	\$	\$	\$	\$
Leasehold improvements	188,074	159,864	28,210	47,018
Equipment	47,676	17,408	30,268	
Computer equipment	94,305	15,717	78,588	
	<u>330,055</u>	<u>192,989</u>	<u>137,066</u>	<u>47,018</u>

### 6 - TRADE PAYABLES AND OTHER OPERATING LIABILITIES

	<u>2022</u>	<u>2021</u>
	\$	\$
Accounts payable and accrued liabilities	230,858	170,369
Government remittances	32,211	
	<u>263,069</u>	<u>170,369</u>

# Petawawa Military Family Resource Centre Incorporated

## Notes to Financial Statements

March 31, 2022

### 7 - DEFERRED REVENUES

	<u>2022</u>		<u>2021</u>
Directorate of Military Family Support funding	Daycare fees	Total	Total
	\$	\$	\$
Balance, beginning of year	436,417	9,266	445,683
Amount recognized in operations	(436,417)	(9,266)	(466,153)
Amount received relating to the following year	438,280	5,700	443,980
Balance, end of year	<u>438,280</u>	<u>5,700</u>	<u>443,980</u>
			445,683

### 8 - CAPITAL AND CONTINGENCY RESERVE NET ASSETS

The Capital and contingency reserve net assets is an internally restricted reserve that was established by the Board of Directors of the Organization on June 17, 2015. These net assets are reserved for capital purchases and to ensure adequate funds are available to cover costs and outstanding payables should the Organization discontinue operations.

During the year, the Organization's Board of Directors restricted \$65,609 (\$417,211 in 2021) from unrestricted net assets to the capital and contingency reserve net assets and \$Nil (\$2,102 in 2021) from net assets invested in capital assets to unrestricted net assets.

### 9 - RELATED PARTY TRANSACTIONS

During the year, the Organization collected day care fees of \$20,571 (\$7,286 for the year ended March 31, 2021) from members of the Board of Directors. These transactions were concluded in the normal course of operations and are measured at the exchange amount, excluding the resulting financial instruments.

### 10 - FINANCIAL RISKS

#### Credit risk

The Organization is exposed to credit risk regarding the financial assets recognized in the statement of financial position. The Organization has determined that the financial assets with more credit risk exposure are trade, contributions and other receivables (excluding indirect taxes receivable) since failure of any of these parties to fulfil their obligations could result in significant financial losses for the Organization.

#### Market risk

The Organization's financial instruments expose it to market risk, in particular, interest rate risk resulting from its operating activities:

# Petawawa Military Family Resource Centre Incorporated

## Notes to Financial Statements

March 31, 2022

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### **10 - FINANCIAL RISKS (Continued)**

#### *Interest rate risk*

The Organization is exposed to interest rate risk with respect to financial assets bearing fixed interest rates.

The term deposits bear interest at a fixed rate and the Organization is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

#### **Liquidity risk**

The Organization's liquidity risk represents the risk that the Organization could encounter difficulty in meeting obligations associated with its financial liabilities. The Organization is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized on the statement of financial position.

### **11 - COMMITMENTS**

The Organization has entered into long-term lease agreements for the rental of buildings which call for minimum lease payments of \$82,800.

These leases expire on various dates between December 2022 and September 2025.

Minimum lease payments for the next five years are \$37,800 in 2023, \$18,000 in 2024, \$18,000 in 2025 and \$9,000 in 2026.

### **12 - COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

The main reclassification for the year ended March 31, 2021 is \$108,308 reclassified from Program fees to Day care fees revenues.

### **13 - IMPACTS RESULTING FROM THE COVID-19 PANDEMIC**

In March 2020, the decree of a COVID-19 state of pandemic and the numerous measures put in place by the federal, provincial and municipal governments to protect the public had impacts on the Organization's operations. These measures resulted in the closure and limit in capacity of the several day care programs of the Organization. This crisis is likely to cause significant changes to the assets or liabilities in the coming year or have a significant impact on future operations.

Among the measures designed to alleviate the repercussions of this crisis, the Organization is eligible for a grant under the Canada Emergency Wage Subsidy program and has applied for a \$138,843 subsidy for the April 1, 2021 to July 3, 2021 period, of which an amount of \$138,843 has been accounted for in the financial statements for the year ended March 31, 2022.