

**Petawawa Military Family
Resource Centre Incorporated**
Financial Statements
March 31, 2023

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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, 2023, 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, 2023, 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, 2023 and 2022, current assets as at March 31, 2023 and 2022 and net assets as at April 1, 2022 and 2021 and March 31, 2023 and 2022. Our opinion on the financial statements for the year ended March 31, 2022 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, 2023

	<u>2023</u>	<u>2022</u>
	\$	\$
Revenues		
Contributions		
Directorate of Military Family Support	1,750,371	1,742,069
Garrison Petawawa	688,912	374,094
County of Renfrew	872,198	929,797
Ministry of Labour, Training and Skills Development	553,410	805,650
Employment service program, Serco Canada Inc	205,504	
Community Resource Centre		2,742
Donations and fundraising	165,757	23,646
United Way	5,483	5,000
Day care fees	1,228,830	1,076,308
Other Income	2,926	
Interest income	76,239	7,517
	<u>5,549,630</u>	<u>4,966,823</u>
Expenses		
Salaries and employee benefits	4,108,022	3,748,024
Home day caregiver expenses	83,565	134,424
Professional development and travel	128,983	109,087
Program expenses	730,687	718,416
Office and supplies	44,801	165,546
Professional fees	33,046	53,808
Bank charges	37,234	24,763
Bad debts	14,070	15,296
Amortization of tangible capital assets	71,968	37,888
	<u>5,252,376</u>	<u>5,007,252</u>
	<u>297,254</u>	<u>(40,429)</u>
Other revenues		
Federal government assistance - Canada Emergency Wage Subsidy		138,843
Excess of revenues over expenses	<u>297,254</u>	<u>98,414</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, 2023

	2023			2022
	Invested in tangible capital assets	Unrestricted	Capital and contingency reserve	Total
	\$	\$	\$	\$
Balance beginning of year	137,066	749,917	1,982,349	2,869,332
Excess (deficiency) of revenues over expenses	(71,968)	369,222		297,254
Acquisitions of tangible capital assets	93,760	(93,760)		
Internal restriction (Note 7)		(198,169)	198,169	
Balance, end of year	<u>158,858</u>	<u>827,210</u>	<u>2,180,518</u>	<u>3,166,586</u>
				<u>2,869,332</u>

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

Petawawa Military Family Resource Centre Incorporated

Cash Flows

Year ended March 31, 2023

	<u>2023</u>	<u>2022</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of revenues over expenses	297,254	98,414
Non-cash items		
Amortization of tangible capital assets	71,968	37,888
Changes in working capital items		
Trade, contributions and other receivables	(224,913)	41,462
Prepaid expenses		28,144
Trade payables and other operating liabilities	94,296	92,700
Deferred revenues	752,386	(1,703)
Cash flows from operating activities	990,991	296,905
INVESTING ACTIVITIES		
Acquisition of term deposits	(1,199,934)	(471,604)
Disposal of term deposits	471,604	
Acquisition of tangible capital assets	(93,760)	(127,936)
Cash flows from investing activities	(822,090)	(599,540)
Net increase (decrease) in cash	168,901	(302,635)
Cash and cash equivalents, beginning of year	2,703,007	3,005,642
Cash and cash equivalents, end of year	2,871,908	2,703,007

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

Petawawa Military Family Resource Centre Incorporated

Financial Position

March 31, 2023

	<u>2023</u>	<u>2022</u>
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	2,871,908	2,703,007
Term deposits, bearing interest at rates between 0.48% and 0.52%, matured during the year		471,604
Trade, contributions and other receivables (Note 3)	488,138	263,225
Prepaid expenses	1,479	1,479
	<u>3,361,525</u>	<u>3,439,315</u>
Long-term		
Term deposit with the Canadian Forces Central Fund, bearing interest based on the average Bank of Montreal prime interest rate plus 0.25%	1,199,934	
Tangible capital assets (Note 4)	158,858	137,066
	<u>4,720,317</u>	<u>3,576,381</u>
LIABILITIES		
Current		
Trade payables and other operating liabilities (Note 5)	357,365	263,069
Deferred revenues (Note 6)	1,196,366	443,980
	<u>1,553,731</u>	<u>707,049</u>
NET ASSETS		
Invested in tangible capital assets	158,858	137,066
Unrestricted	827,210	749,917
Internally restricted - Capital and contingency reserve (Note 7)	2,180,518	1,982,349
	<u>3,166,586</u>	<u>2,869,332</u>
	<u>4,720,317</u>	<u>3,576,381</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, 2023

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 - 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.

Petawawa Military Family Resource Centre Incorporated

Notes to Financial Statements

March 31, 2023

2 - SUMMARY OF ACCOUNTING POLICIES (Continued)

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).

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.

Petawawa Military Family Resource Centre Incorporated

Notes to Financial Statements

March 31, 2023

2 - SUMMARY OF ACCOUNTING POLICIES (Continued)

Unrestricted net assets

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

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.

3 - TRADE, CONTRIBUTIONS AND OTHER RECEIVABLES

	2023	2022
	\$	\$
Trade accounts receivable (a)	387,940	110,910
Accrued interest	56,767	
Indirect taxes receivable	65,899	167,713
Contributions receivable	26,207	
	<u>536,813</u>	<u>278,623</u>
Allowance for impairment	48,675	15,398
	<u>488,138</u>	<u>263,225</u>

- (a) The trade accounts receivable are presented in the financial statements net of an allowance for impairment of \$83,280 (\$15,398 as at March 31, 2022). The amount of the impairment loss related to the trade accounts receivable is \$83,280 for the year (\$15,398 in 2022) and the reversal of a previously recognized impairment loss on the trade accounts receivable is \$Nil (\$375 in 2022).

4 - TANGIBLE CAPITAL ASSETS

	2023			2022
	Cost	Accumulated amortization	Net carrying amount	Net carrying amount
	\$	\$	\$	\$
Leasehold improvements	188,074	178,671	9,403	28,210
Machinery and equipment	57,075	25,074	32,001	30,268
Computer equipment	178,666	61,212	117,454	78,588
	<u>423,815</u>	<u>264,957</u>	<u>158,858</u>	<u>137,066</u>

5 - TRADE PAYABLES AND OTHER OPERATING LIABILITIES

	2023	2022
	\$	\$
Accounts payable and accrued liabilities	290,846	230,858
Salaries payable	66,519	32,211
	<u>357,365</u>	<u>263,069</u>

Petawawa Military Family Resource Centre Incorporated

Notes to Financial Statements

March 31, 2023

6 - DEFERRED REVENUES

	2023			2022
County of Renfrew funding \$	Directorate of Military Family Support funding \$	Daycare fees \$	Total \$	Total \$
Balance, beginning of year	438,280	5,700	443,980	445,683
Amount recognized in operations	(436,180)	(5,700)	(441,880)	(445,683)
Amount received relating to the following year	691,808	8,645	1,194,266	443,980
Balance, end of year	691,808	8,645	1,196,366	443,980

7 - 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 \$636,305 (\$65,609 in 2022) from unrestricted net assets to the capital and contingency reserve net assets and \$Nil (\$Nil in 2022) from net assets invested in capital assets to unrestricted net assets.

8 - RELATED PARTY TRANSACTIONS

During the year, the Organization collected day care fees of \$16,861 (\$20,571 for the year ended March 31, 2022) 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.

9 - 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, 2023

9 - 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.

10 - COMMITMENTS

The Organization has entered into long-term lease agreements for the rental of buildings which call for minimum lease payments of \$177,000.

These leases expire on various dates between September 2025 and December 2027.

Minimum lease payments for the next five years are \$44,400 in 2024, \$44,400 in 2025, \$35,400 in 2026, \$26,400 in 2027 and 26,400 in 2028.