FIRST YEARS LEARNING CENTRE INC.

FINANCIAL STATEMENTS
July 31, 2023

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of **First Years Learning Centre Inc.** have been prepared by the Organization's management in accordance with Canadian accounting standards for not-for-profit organizations and necessarily include some amounts based on informed judgement and management estimates.

To assist management in fulfilling its responsibilities, a system of internal controls has been established to provide reasonable assurance that the financial statements are accurate and reliable and that assets are safeguarded.

The board of directors has reviewed and approved these financial statements.

These financial statements have been examined by the independent auditors, **Virtus Group LLP**, and their report is presented separately.

KBoutilier	Carlee Anderson
Kristina Boutilier	Carlee Anderson
Chair, Board of Directors	Business Administrator/Director

VIRTUS GROUP
Chartered Professional Accountants & Business Advisors LLP

INDEPENDENT AUDITORS' REPORT

To the Members,
First Years Learning Centre Inc.

Opinion
We have audited the financial statements of **First Years Learning Centre Inc.**, which comprise the statement of financial position as at **July 31, 2023**, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at July 31, 2023, and its financial performance and 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 *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 Saskatchewan, 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.

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.

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.

INDEPENDENT AUDITORS' REPORT (continued)

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 significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Virtus Group LLP

November 20, 2023
Regina, Saskatchewan

Chartered Professional Accountants

FIRST YEARS LEARNING CENTRE INC.
STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 2023
(with comparative figures for 2022)

ASSETS

	2023	2022
Current Assets		
Cash	$ 328,873	$ 724,364
Investments (Note 3)	500,000	300,000
Accounts receivable (Note 4)	5,273	34,092
Prepaid expenses	1,813	110,988
	835,959	1,169,444
Tangible capital assets (Note 5)	333,461	21,914
	$ 1,169,420	$ 1,191,358

LIABILITIES

	2023	2022
Current Liabilities		
Accounts payable and accrued liabilities	$ 84,815	$ 85,706
Childcare fees paid in advance	3,308	4,022
Deferred revenue	12,286	18,452
	100,409	108,180

NET ASSETS

	2023	2022
Investment in tangible capital assets	333,461	21,914
Unrestricted surplus	735,550	1,061,264
	1,069,011	1,083,178
	$ 1,169,420	$ 1,191,358

Commitment (Note 7)

See accompanying notes to the financial statements.

Approved on behalf of the board:

KBoutilier

FIRST YEARS LEARNING CENTRE INC.
STATEMENT OF NET ASSETS
AS AT JULY 31, 2023
(with comparative figures for the year ended July 31, 2022)

	Investment in tangible capital assets	Unrestricted surplus	2023	2022
Balance - beginning of year	$ 21,914	$ 1,061,264	$ 1,083,178	$ 929,144
Excess (deficiency) of revenue over expenses	-	(14,167)	(14,167)	154,034
Amortization	(24,910)	24,910	-	-
Purchase of tangible capital assets	336,457	(336,457)	-	-
Balance - end of year	$ 333,461	$ 735,550	$ 1,069,011	$ 1,083,178

See accompanying notes to the financial statements.

FIRST YEARS LEARNING CENTRE INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JULY 31, 2023

(with comparative figures for the year ended July 31, 2022)

	2023	2022
Revenue		
Canada emergency wage subsidy	$ -	$ 61,834
Child care fees	296,174	404,948
Grants	1,154,962	863,784
Miscellaneous	15,450	8,111
Registration fees	800	1,300
	1,467,386	1,339,977
Expenses		
Amortization	24,910	7,895
Bank charges	1,192	1,044
Food	59,392	45,312
Insurance	4,467	4,756
Minor equipment and toys	11,315	7,031
Miscellaneous	1,340	1,241
Office and general	17,015	12,919
Professional fees	41,474	29,051
Rent	7,382	7,099
Repairs and maintenance	1,390	2,433
Supplies	55,199	40,963
Telephone	2,098	2,277
Training	39,741	16,775
Travel	1,988	2,089
Wages and benefits	1,212,650	1,005,058
	1,481,553	1,185,943
Excess (deficiency) of revenue over expenses	$ (14,167)	$ 154,034

See accompanying notes to the financial statements.

FIRST YEARS LEARNING CENTRE INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JULY 31, 2023
(with comparative figures for the year ended July 31, 2022)

	2023	2022
Cash provided by (used in) operating activities:		
Excess (deficiency) of revenue over expenses	$ (14,167)	$ 154,034
Items not involving cash:		
Amortization	24,910	7,895
	10,743	161,929
Non-cash operating working capital (Note 6)	130,223	94,230
	140,966	256,159
Cash used in investing activities:		
Additions to investments	(200,000)	(300,000)
Additions to tangible capital assets	(336,457)	(6,980)
	(536,457)	(306,980)
Decrease in cash	(395,491)	(50,821)
Cash position - beginning of year	724,364	775,185
Cash position - end of year	$ 328,873	$ 724,364

See accompanying notes to the financial statements.

1. Nature of operations

First Years Learning Centre Inc. (the "Organization") was incorporated under *The Co-operatives Act, 1996* in the province of Saskatchewan. The Organization provides child care services to children in Regina and surrounding areas. The Organization is exempt from income taxes under section 149(1)(f) of the *Income Tax Act*.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The financial statements required management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. The financial statements reflect the following accounting policies:

Financial instruments - recognition and measurement
Financial assets and financial liabilities are recorded on the statement of financial position when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are required to be recognized at fair value upon initial recognition, except for certain related party transactions. Measurement in subsequent periods of equity instruments is at fair value. All other financial instruments are subsequently measured at amortized cost adjusted by transaction costs, which are amortized over the expected life of the instrument.

Fair value is the amount at which a financial instrument could be exchanged at arm’s length between willing, unrelated parties in an open market. Changes in fair value of financial instruments measured at fair value are recognized in the excess of revenues over expenses. When there is an indication of impairment the carrying amount of financial assets measured at amortized cost may be reduced. Such impairments can be subsequently reversed if the value improves.

The Organization's recognized financial instruments consist of cash, accounts receivable, investments, accounts payable and accrued liabilities.

Investments
Investments are carried at the lower of cost and market value.

Tangible capital assets
Tangible capital assets are recorded at cost less grant funding and accumulated amortization. Amortization is provided on the diminishing balance basis over their estimated useful life of the assets at the following annual rates:

Automotive equipment	30%
Equipment	20%
Playground	10%
Shed	10%

Leasehold improvements are amortized on the straight-line basis over the term of the lease, which is five years.

2. Summary of significant accounting policies (continued)

Revenue recognition
The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Grant funding received for the purchase of tangible capital assets are deferred until the purchase is made. Once a purchase is made, the grant funding is recorded as a reduction to the cost of the asset.

Childcare revenues are recognized in the period the childcare services are provided. Fundraising revenues are recognized when the fundraising activity occurs. Other revenues are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

3. Investments

Investments consist of one redeemable term deposit bearing compound interest at 4.10% and maturing on July 6, 2024 (2022 - 3.14 % and July 13, 2023).

4. Accounts receivable

	2023	2022
Accounts receivable	$ 1,404	$ 1,623
Canada emergency wage subsidy receivable	-	30,854
GST receivable	3,869	1,615
	$ 5,273	$ 34,092

5. Tangible capital assets

	2023			2022
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Automotive equipment	$ 33,709	$ 28,822	$ 4,887	$ 6,983
Equipment	138,541	73,877	64,664	8,649
Leasehold improvements	16,951	11,367	5,584	6,282
Playground	271,922	13,596	258,326	-
Shed	1,366	1,366	-	-
	$ 462,489	$ 129,028	$ 333,461	$ 21,914

6. Non-cash operating working capital

Details of net change in each element of working capital relating to operations excluding cash are as follows:

	2023	2022
(Increase) decrease in current assets:		
Accounts receivable	$ 28,819	$ 176,491
Prepaid expenses	109,175	(108,939)
	137,994	67,552
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	(891)	21,221
Child care fees received in advance	(714)	(603)
Deferred revenue	(6,166)	6,060
	(7,771)	26,678
	$ 130,223	$ 94,230

7. Commitment

The Organization leases premises under agreements requiring aggregate minimum payments over the next two years as follows:

2024	$	4,800
2025		4,800

8. Financial risk management

The Organization has a risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The significant financial risks to which the Organization is exposed are:

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 is exposed to credit risk on the accounts receivable from its customers, however, does not have a significant exposure to any individual customer or counterpart. In order to reduce its credit risk, the Organization monitors its accounts receivable regularly. During the year, the organization incurred bad debt expense of $nil (2022 - $nil).

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization's exposure to liquidity risk is dependent on the receipt of funds from its operations, external borrowings and other related sources. Funds from these sources are primarily used to finance working capital and capital expenditure requirements, and are considered adequate to meet the Organization's financial obligations.