FIRST YEARS LEARNING CENTRE INC.

FINANCIAL STATEMENTS

July 31, 2025

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.

Joel Beaurivage
Chair, Board of Directors

Megan Schmidt
Business Administrator/Director

VIRTUS GROUP
Chartered Professional Accountants & Business Advisors LLP

INDEPENDENT AUDITOR'S 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, 2025**, 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, 2025, 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.

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.

Virtus Group LLP

November 4, 2025
Regina, Saskatchewan

Chartered Professional Accountants

FIRST YEARS LEARNING CENTRE INC.
STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 2025
(with comparative figures for 2024)

ASSETS

	2025	2024
Current assets		
Cash	$ 234,468	$ 298,338
Investments (Note 3)	500,000	520,556
Accounts receivable	2,815	3,872
Prepaid expenses	3,998	6,452
	741,281	829,218
Tangible capital assets (Note 4)	254,670	298,013
	$ 995,951	$ 1,127,231

LIABILITIES

Current liabilities		
Accounts payable and accrued liabilities	$ 123,879	$ 108,979
Childcare fees received in advance	2,997	4,585
Deferred grant revenue (Note 5)	6,058	7,219
	132,934	120,783

NET ASSETS

Investment in tangible capital assets	254,670	298,013
Unrestricted surplus	608,347	708,435
	863,017	1,006,448
	$ 995,951	$ 1,127,231

Commitment (Note 8)

See accompanying notes to the financial statements.

Approved on behalf of the board:

FIRST YEARS LEARNING CENTRE INC.
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JULY 31, 2025
(with comparative figures for the year ended July 31, 2024)

	Investment in tangible capital assets	Unrestricted surplus	Total 2025	Total 2024
Balance - beginning of year	$ 298,013	$ 708,435	$ 1,006,448	$ 1,069,011
Deficiency of revenue over expenses	-	(143,431)	(143,431)	(62,563)
Amortization	(35,034)	35,034	-	-
Loss on disposal of tangible capital assets	(8,309)	8,309	-	-
Balance - end of year	$ 254,670	$ 608,347	$ 863,017	$ 1,006,448

See accompanying notes to the financial statements.

FIRST YEARS LEARNING CENTRE INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JULY 31, 2025
(with comparative figures for the year ended July 31, 2024)

	2025	2024
Revenue		
Child care fees	$ 252,071	$ 247,553
Grants - Government of Saskatchewan Ministry of Education	1,277,606	1,283,993
Interest income	20,903	20,621
Miscellaneous	647	1,102
Registration fees	2,500	1,900
	1,553,727	1,555,169
Expenses		
Amortization	35,034	43,648
Bank charges	993	972
Food	78,393	65,710
Loss on disposal of tangible capital assets	8,309	-
Insurance	4,752	4,004
Minor equipment and toys	14,739	20,356
Miscellaneous	5,965	2,269
Office and general	14,209	17,630
Professional fees	36,408	38,271
Rent	7,867	7,887
Repairs and maintenance	1,224	2,221
Supplies and cleaning services	90,246	92,663
Telephone	2,070	2,121
Training	16,556	24,140
Travel	2,071	1,183
Wages and benefits	1,378,322	1,294,657
	1,697,158	1,617,732
Deficiency of revenue over expenses	$ (143,431)	$ (62,563)

See accompanying notes to the financial statements.

FIRST YEARS LEARNING CENTRE INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JULY 31, 2025
(with comparative figures for the year ended July 31, 2024)

	2025	2024
Cash provided by (used in) operating activities:		
Deficiency of revenue over expenses	$ (143,431)	$ (62,563)
Items not involving cash:		
Amortization	35,034	43,648
Loss on disposal of tangible capital assets	8,309	-
	(100,088)	(18,915)
Non-cash operating working capital (Note 6)	15,662	17,136
	(84,426)	(1,779)
Cash provided by (used in) investing activities:		
Additions (disposals) to investments	20,556	(20,556)
Disposals (additions) to tangible capital assets	-	(8,200)
	20,556	(28,756)
Decrease in cash	(63,870)	(30,535)
Cash position - beginning of year	298,338	328,873
Cash position - end of year	$ 234,468	$ 298,338

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, investments, accounts receivable, 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. Interest and miscellaneous 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 2.70% and maturing on July 6, 2026 (2024 - 4.12% and July 6, 2025).

4. Tangible capital assets

	2025			2024
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Automotive equipment	$ 33,708	$ 31,314	$ 2,394	$ 3,421
Equipment	114,313	71,282	43,031	58,608
Leasehold improvements	-	-	-	3,490
Playground	271,923	62,678	209,245	232,494
	$ 419,944	$ 165,274	$ 254,670	$ 298,013

5. Deferred grant revenue

Deferred revenues represent funds received which are restricted for specific purposes as follows:

	2025	2024
Learning language grant	$ 328	$ 1,215
Winter season grant	5,730	6,004
	$ 6,058	$ 7,219

6. Non-cash operating working capital

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

	2025	2024
(Increase) decrease in current assets:		
Accounts receivable	$ 1,057	$ 1,401
Prepaid expenses	2,454	(4,639)
	3,511	(3,238)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	14,900	24,164
Child care fees received in advance	(1,588)	1,277
Deferred grant revenue	(1,161)	(5,067)
	12,151	20,374
	$ 15,662	$ 17,136

7. Economic dependence

The Organization derives the majority of its funding from grants from the Government of Saskatchewan - Ministry of Education. As a result, the organization is dependent on the continuation of these grants to maintain operations at their current level.

8. Commitment

The Organization leases and contracts premises and services under an agreement requiring aggregate minimum payments over the next year as follows:

2026	$ 14,875

9. 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. The organization incurred nil bad debt expense in each of the past two years.

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.