Agenda – Council – May 27, 2015

Report – Standing Policy Committee on Property and Development – May 12, 2015

Item No. 10 Proposed Lease Agreement to Allow for the Use of City-Owned Property at 759 Ross Avenue for the purpose of a Day Care Centre (Point Douglas Ward)

STANDING COMMITTEE RECOMMENDATION:

On May 20, 2015, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development and submitted the following to Council:

1. That the terms and conditions attached as Schedule "A" for a lease agreement in favour of Pinkham Daycare Inc. for the purposes of a day care located at 759 Ross Ave. as identified as "Pinkham Daycare Inc. Lease" on attached Misc. Plan 10666/1 be approved.

2. That the City enters into a lease agreement and such other agreements as determined necessary by the City Solicitor/Director of Legal Services to implement the intent of the foregoing.

3. That Council delegate to the Director of Planning, Property, and Development Department to negotiate and approve the final terms and conditions of the lease agreement and such other agreements as determined necessary by the City Solicitor/Director of Legal Services, in accordance with the terms and conditions set forth in Schedule "A" and such other terms and conditions deemed necessary by the City Solicitor/Director of Legal Services to protect the interests of the City.

4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Report – Standing Policy Committee on Property and Development – May 12, 2015

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On May 20, 2015, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On May 12, 2015, the Standing Policy Committee on Property and Development concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: **Proposed Lease Agreement to Allow for the Use of City-Owned Property at 759 Ross Avenue for the purpose of a Day Care Centre**

Critical Path: **Standing Policy Committee on Property and Development, Executive Policy Committee, Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
B. Erickson	J. Kiernan A/Director	M. Ruta	M. Jack A/COO

RECOMMENDATIONS

1. That the proposed terms and conditions attached as Schedule “A” for a lease agreement in favour of Pinkham Daycare Inc. for the purposes of a day care located at 759 Ross Ave. as identified as “Pinkham Daycare Inc. Lease” on attached Misc. Plan 10666/1 be approved.

2. That the City enters into a lease agreement and such other agreements as determined necessary by the City Solicitor/Director of Legal Services to implement the intent of the foregoing.

3. That Council delegate to the Director of Planning, Property, and Development Department to negotiate and approve the final terms and conditions of the lease agreement and such other agreements as determined necessary by the City Solicitor/Director of Legal Services, in accordance with the terms and conditions set forth in Schedule “A” and such other terms and conditions deemed necessary by the City Solicitor/Director of Legal Services to protect the interests of the City.

4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

Council has the authority to approve the lease of City-owned land for less than market value.

IMPLICATIONS OF THE RECOMMENDATIONS

- The Department has determined that there is no general, policy, regulatory, environmental or human resource implications to entering into a Lease Agreement as set in the attached Terms and Conditions.

- The proposed lease is for a term of five (5) years with an extension option of five (5) years.

HISTORY

At its meeting held on October 28, 1999, the Standing Policy Committee on Property and Development approved a lease in favour of Pinkham Daycare Inc. for the use of the subject property identified as "Leased Area" on Misc. Plan No. 10666/1.

On January 10, 2006, the Committee approved an additional five (5) year lease with an option to renew for a further five (5) years upon expiration of term in accordance with the negotiated terms and conditions.

The Day Care provides care for children aged three (3) months to twelve (12) years old all year through except for Statutory and Provincial holidays, and is economically dependent on government funding and independent grants which represents the majority of its total revenue.

The current Lease Agreement expired on November 3, 2014. A request from the Day Care was received in January 2015 asking to enter into a new lease at the same location at 759 Ross Avenue.

The application was circulated to applicable City departments and public utilities for consideration and comments. All comments and concerns have been incorporated into the signed terms and conditions.

The Risk Management Division of Corporate Finance reviewed the insurance requirements for this proposed lease and their comments have been incorporated into the terms and conditions.

The Planning, Property, and Development Department have negotiated proposed Terms and Conditions of a Lease Agreement in favour of Pinkham Daycare Inc.

This report seeks approval of the Proposed Lease Agreement as negotiated.

FINANCIAL IMPACT

Financial Impact Statement

Date: February 13, 2015

Project Name:

First Year of Program **2014**

Proposed Lease Agreement to Allow for the Use of City-Owned Property at 759 Ross Avenue for the purpose of a Day Care Centre

	2014	2015	2016	2017	2018 & 2019
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	186	436	186	186	372
Net Cost/(Benefit)	$ (186)	$ (436)	$ (186)	$ (186)	$ (372)
Less: Existing Budget Amounts	(186)	(436)	(186)	(186)	(372)
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Revenues in 2014 consist of nominal rent of $1 + municipal realty taxes of $185. The tax amount is assumed to remain constant through the initial term of the lease (ending on Nov. 3/19). Addiitional revenue in 2015 represents the one-time admin fee of $250.

"Original signed by"

Mike McGinn, CA
Manager of Finance

CONSULTATION

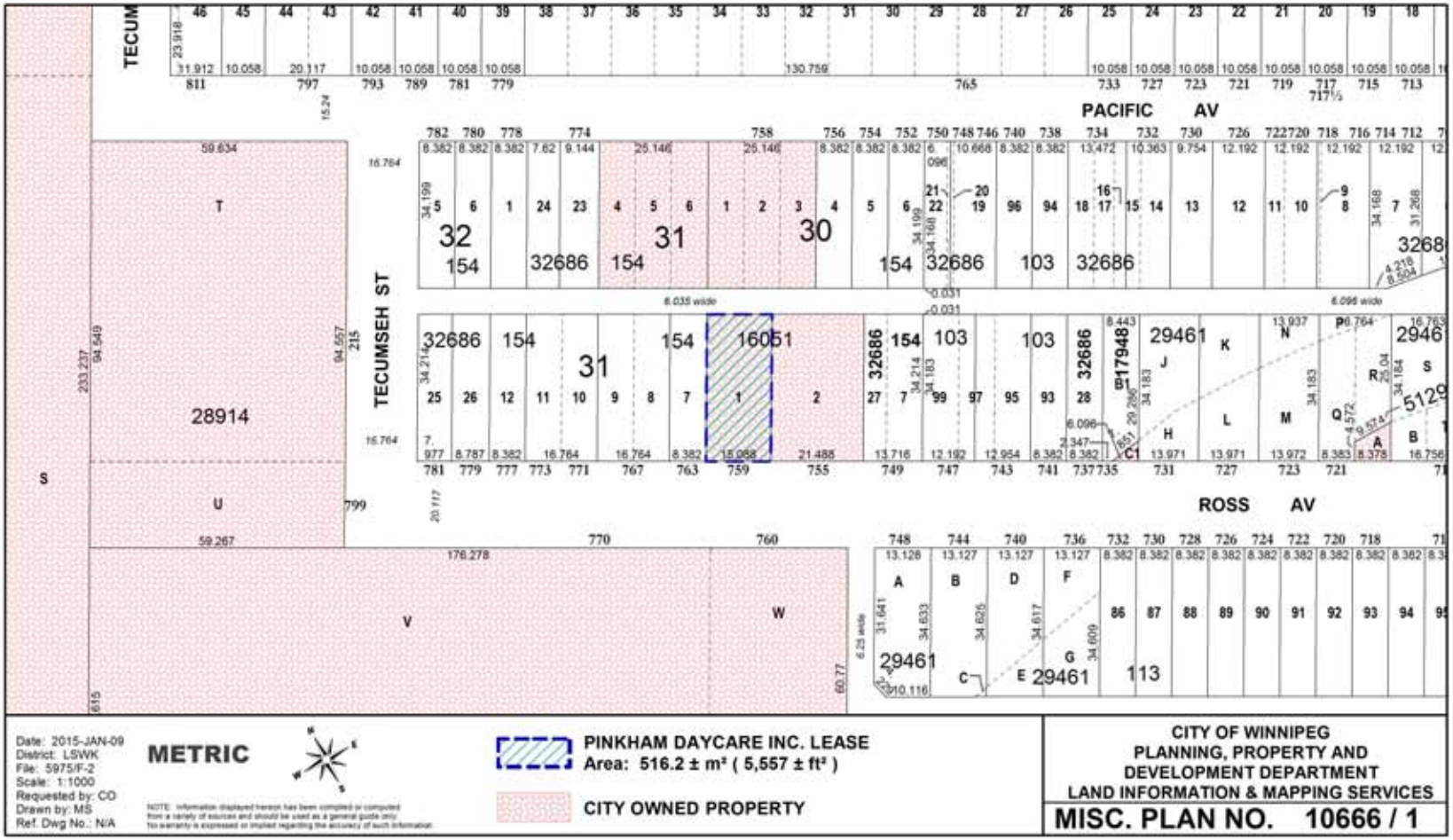
In preparing this report there was consultation with:

Legal Services Department as to legal issues
Risk Management, Corporate Finance

SUBMITTED BY

Department: Planning, Property and Development
Division: Municipal Accommodations
Prepared by: Charles Osondu
Date: April 7, 2015
File No. MA 2015-047

O:\Reports Directive\Municipal Accommodations\Leases\2015\MA2015-047 - Proposed Lease Agreement to Allow for the Use of City Owned Property at 759 Ross Ave for the purpose of a Day Care Centre.doc


TECUMSEH ST
PACIFIC AV
ROSS AV
PINKHAM DAYCARE INC. LEASE
Area: 516.2 ± m² (5,557 ± ft²)
CITY OWNED PROPERTY
METRIC
Date: 2015-JAN-09
District: LSWK
File: 5975/F-2
Scale: 1:1000
Requested by: CO
Drawn by: MS
Ref. Dwg No.: N/A
CITY OF WINNIPEG
PLANNING, PROPERTY AND
DEVELOPMENT DEPARTMENT
LAND INFORMATION & MAPPING SERVICES
MISC. PLAN NO. 10666 / 1

SCHEDULE A

PROPOSED TERMS AND CONDITONS
759 ROSS AVENUE

(Shown as "Leased Area" on attached Misc. Plan No. 10666/1)

Landlord:	City of Winnipeg
Tenant:	Pinkham Daycare Inc.
Use:	For the purpose of conducting the business of a **Day Care Centre** only and not for any other purpose except with the prior written consent of the City.
Initial Term:	Five (5) year term commencing November 4, 2014
Rent:	One Dollar ($1.00) plus GST per annum.
Renewal Option:	One (1), Five (5) year option to renew at the same terms and conditions.
Admin Fee:	A one-time fee of $250.00 plus GST.
Municipal Taxes:	The tenant shall pay to the local taxing authority all municipal taxes, which shall be billed directly to the tenant.
Other Fees, Licenses, Taxes etc.:	All license fees, realty and business tax, etc. which may be charged in respect of the use and occupation of the Leased Area.
Insurance:	The Tenant shall provide and maintain the following insurance coverage at all times during the duration of the contract. Commercial general liability insurance including but not limited to protection for claims of bodily injury and property damage, personal and advertising injury liability and product and completed operations liability in the inclusive amount of at least two million dollars ($2,000,000.00) per occurrence with a minimum five million dollars ($5,000,000) general aggregate. The City of Winnipeg shall be included as an additional insured. Such liability policy must also contain a cross-liability or severability of interest clause, contractual liability, employees as additional insured, tenant's legal liability for a limit commensurate with the space occupied and shall not contain any special limitations on the scope of coverage afforded the City, its officers, officials, employees, agents or volunteers.

A broad form property insurance policy, for the full replacement cost insuring the building, all contents, mobile equipment and tenant's improvements; Policy to include the City's interest as a Loss Payable, subject to Standard Mortgage Clause;

An equipment breakdown insurance policy, for the full replacement cost of the facility including all boilers, pressure vessels (fired and unfired), air-conditioning equipment, mechanical and electrical equipment, transformers, electrical switch gears, motors, compressors, refrigeration equipment and miscellaneous electrical apparatus owned or operated by the Landlord; Policy to include the City's interest as a Loss Payable, subject to Standard Mortgage Clause.

If required, Automobile liability insurance for owned and non-owned automobiles used for or in connection with the Lease in the amount of at least two million dollars ($2,000,000.00) to remain in place at all times during the full term of the Lease Agreement; such insurance may be met through the commercial general liability cover where applicable;

All property policies written on behalf of the Lessee shall contain a waiver of any subrogation right which the Tenant's insurers may have against the City and against those for whom the City is, in law, responsible, whether any such damage is caused by the act, omission or fault of the City or by those for whom the City, is, in law, responsible;

All policies shall be taken out with insurers licensed to and carrying on business in the Province of Manitoba;

Loss, if any, shall be payable to The City of Winnipeg, as their interests may appear;

Property building insurance deductibles shall be borne by the Lessee to a maximum amount of $1,000.00 per claim;

All other applicable deductibles shall be entirely borne by the Lessee;

The Tenant shall not cancel, or cause any such policy or policies to lapse without a minimum thirty (30) days prior written notice to the City;

The Tenant shall provide written notice to the City of Winnipeg of any material changes to their policies within thirty (30) days of the change taking effect;

The Tenant shall file with the City an annual Certificate of Insurance in a form satisfactory to the City Solicitor;

The City shall have the right to alter the limits and/or

coverage's as reasonably required from time to time during the continuance to this Lease Agreement and for any subsequent renewals thereof, provided that the City shall give the Lessee reasonable notice and shall request reasonable change.

Cancellation: 180 days written notice by either party, or immediately upon the tenant being in default of the proposed terms and conditions of the Lease Agreement.

Conditions: The tenant takes the "Subject Property" on Misc. Plan No. 10666/1 on "as is" basis.

The Tenant is to comply with all laws, by-laws and regulations of any federal, provincial or municipal or other applicable authority.

The Tenant shall maintain at its own expense the property in a safe, clean and tidy condition to the satisfaction of the City.

Unless otherwise specified herein, the Tenant is to pay all operating costs, including but not limited to, utilities, janitorial service, security, garbage removal, snow removal and general maintenance of the demised premises and operating equipment.

The Tenant shall also be responsible for structural repairs to the building (roof, exterior walls, replacement of heating, plumbing and electrical systems as required).

The Tenant acknowledges and agrees that the City has made no representation, warranties or guarantees of any nature or kind whatsoever as to the quality, conditions or suitability of the property for any use or purpose, nor as to any environmental conditions which may exist.

The Tenant shall indemnify and save the City harmless from and against any and all claims for damages or injuries, including death that may arise from the use of the Lands by the Tenant. This provision shall survive any termination or expiration of this Agreement.

If in the future the City determines that the property is surplus to its needs and available for sale, the Tenant will be so advised.

The Tenant shall provide, on an annual basis on the anniversary of the lease, copies of all relevant

inspections/reports/etc. (i.e. boiler/ elevator/furnace inspection certificates, audit/financial statements).

The tenant shall be responsible for the evacuation of all volunteers, staff and invitees during any emergency.

Tenant Improvements: All Tenant improvements to be performed at the sole cost, expense and effort of the Tenant, subject to prior approval by the City.

Development and Maintenance: The development and maintenance of the property will be performed at the sole cost, expense and effort of the Tenant, including, but not limited to, obtaining all permits required to develop, occupy and utilize the property for its intended use.

Repairs: In the event that the property requires repair, the Tenant shall promptly perform, at its sole cost, expense and effort any required repairs, or in any event within thirty (30) days of written notice provided by the City.

Buildings: The Tenant will not erect or permit the erection of any building or structure whatsoever on the property, nor make any excavation therein or improvement thereon, without the written authority of the City's Director of Planning, Property and Development.

The Tenant is advised that no permanent structures are permitted above the Public Utilities.

City's Access: The City shall have the right of access to the property at any time (24 hours a day, seven days a week) by its employees or other persons acting with authorization, with or without equipment for any purpose whatsoever, including, but not limited to, those purposes related to viewing the state of repair, safety, protection, preservation or improvement of the property, and for doing any work to maintain, operate, repair, inspect or rehabilitate its existing water mains, sewer lines and appurtenances in or near to the property, without being responsible for any damage occasioned thereby.

The City reserves the right for MTS Communications Inc. and Manitoba Hydro-Electric Board or other public utilities (hereinafter referred to as "Public Utilities") to enter upon the property for maintenance and/or repair of their utilities without the City and/or the Public Utilities being responsible for any damage occasioned thereby.

Assignment or Sub-let:

The Tenant is not to assign or sub-let or part with possession of all or any part of the property without the Tenant first obtaining the prior written consent of the City. In such event, the City in its sole discretion may cancel this agreement and enter into a new agreement;

And further the Tenant acknowledges and agrees that:

1) Upon its making application for such consent by the City the Tenant shall pay to the City a non-refundable administrative fee of **Two Hundred and Fifty ($250.00),** plus applicable Goods and Services Tax, or such amount as may from time to time be determined by the City in its sole discretion acting reasonably.

Termination:

Upon termination or cancellation of the Lease the Tenant shall remove its property from the property and leave same in a condition satisfactory to the City. Should the Tenant default in so doing the City may remove the Tenant's property and restore the property at the sole risk and expense of the Tenant.

Total or Partial Destruction

In the event of total destruction or partial destruction of the Subject Property and any Leasehold Improvements located thereon, by fire, explosion, lightning, flood, windstorm or hail or act of God, then in that event this Agreement shall terminate at the option of the City with effect from the date upon which such total destruction or partial destruction occurs. Thereupon, the Tenant shall immediately surrender the Subject Property and all its interest therein to the City and the Tenant shall pay Rent/Fees only to the time of such total destruction or partial destruction and the City may re-enter and repossess the Subject Property discharged of this Agreement. Upon such termination the Tenant shall remain liable to the City for all sums accrued and due to the City pursuant to the terms hereof to the date of such total destruction or partial destruction.

In the event of partial destruction of the Subject Property and any Leasehold Improvements located thereon, by fire, explosion, lightning, flood, windstorm or hail or act of God, and if the City does not opt to terminate this Agreement in accordance with the insurance section then in that event, the Subject Property may be partially used for the operation as set out herein, while the repairs are being made, if safe to do so in the opinion of the City. Then, in that event, the Rent/Fees shall abate in the proportion that the part of the Subject

Property rendered unusable bears to the whole of the Subject Property.

The City's Chief Financial Officer, or delegate in writing, shall, in his sole discretion determine whether the extent of damage to the Subject Property and any Leasehold Improvements located thereon is deemed to be total destruction or partial destruction. The City shall make the determination based on inspections and advice from certified professionals, including without limitation, City of Winnipeg engineers and adjusters. The Tenant shall be notified, in writing, by the City as to the determination of total destruction or partial destruction and as to whether the City will be exercising the option to terminate this Agreement as set out in the termination section, within forty-five (45) days of the date that the damage occurred.

Other: The Tenant shall enter into a formal agreement with the City embodying the foregoing Proposed Terms and Conditions and such other Terms and Conditions as the Director of Legal Services deems necessary and in a form satisfactory to the Director of Legal Services.

This proposal is subject to final approval by the City of Winnipeg's Council, or its delegated authority

I/We, DAN MILBERG, **being** duly
(Please print)

Authorized to act on behalf of **Pinkham Daycare Inc.,** hereby agree to enter into a lease agreement with the City of Winnipeg for the use of the property identified as "Leased Area" on the attached Misc. Plan No.10666/1 and in accordance with the terms and conditions as outlined herein on this Offer to Lease.

SIGNATURE	**DATE** 01/19/15
DAN MILBERG **NAME(Please print)**	EXECUTIVE DIRECTOR **POSITION**
Cheryl Byron **SIGNATURE**	01/19/15 **DATE**
Cheryl Byron **NAME(Please print)**	Program Supervisor **POSITION**

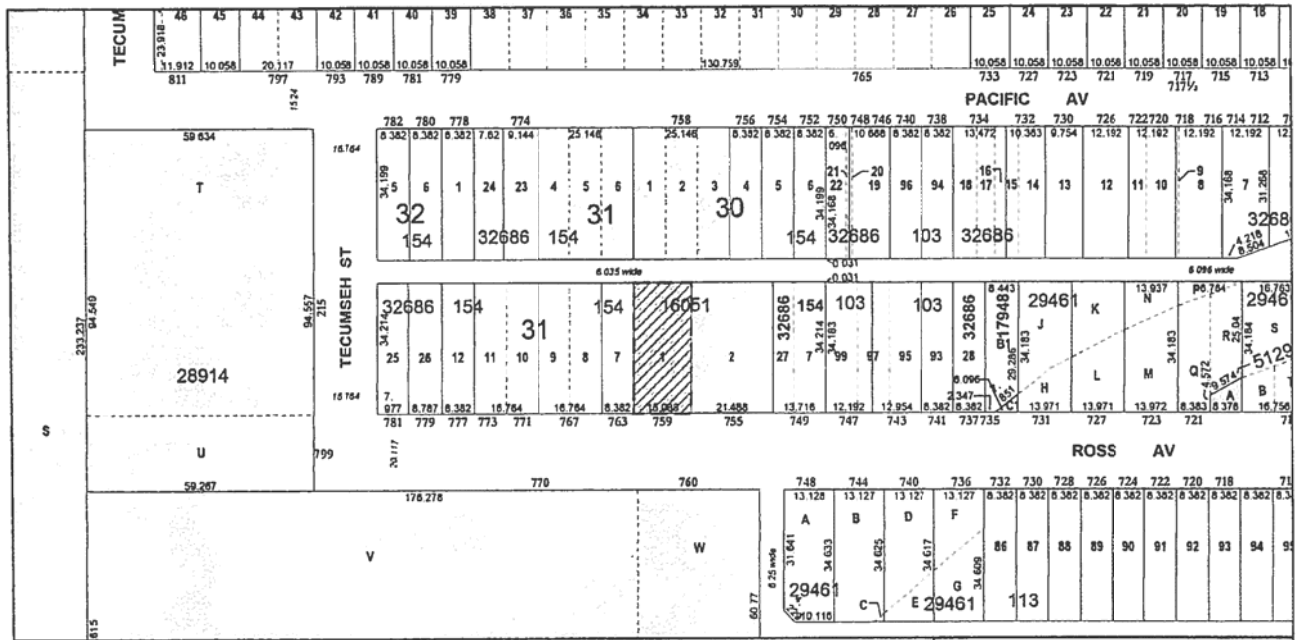
Please provide the following tenant contact information:

Contact Person: DON MILBERG

Daytime: 24 774-3754 Phone No.: 24 783-4645

After Hours: 24 223-9773 Phone No.:

E-mail Address: dmilberg@hotmail.com



Date 2015-JAN-09
District: LSWK
File 5975/F-2
Scale: 1:1000
Requested by: CO
Drawn by: MS
Ref. Dwg No.: N/A

METRIC

NOTE: Information displayed hereon has been compiled or computed from a variety of sources and should be used as a general guide only. No warranty is expressed or implied regarding the accuracy of such information.

PINKHAM DAYCARE INC. LEASE
Area: 516.2 ± m² (5,557 ± ft²)

CITY OWNED PROPERTY

CITY OF WINNIPEG
PLANNING, PROPERTY AND
DEVELOPMENT DEPARTMENT
LAND INFORMATION & MAPPING SERVICES

MISC. PLAN NO. 10666 / 1

SCHEDULE B

Non-Monetary Grant Criteria Report

Criteria	Pass	Fail	Comments
1. The organization must provide a facility operated in its entirety by a non-profit organization for non-profit uses.	✓		The Applicant is a licensed Non Profitable Organization with registration # 133627166RP001.
2. The organization must provide for activities which are compatible with City's needs.	✓		The organization runs a Day Care Service which meets the needs of the community.
3. The organization must provide facilities for which there is a current and projected need in that location.	✓		There is a great demand for such service and currently has a waiting list of 251children between 3 months and 5 years. Also has an additional list of 36 children between the ages of 6 - 12 years.
4. The organization must provide reasonable access to all Winnipeg residents without discrimination.	✓		Admission to families requiring child care services is based on first come first service and also care for children of all abilities, ethnicity, and diversity.
5. The organization must provide access without the charging of initiation fees, membership fees or other costs which are incompatible with like facilities or organizations.	✓		Fees are charged based on guidelines and schedule set by the Manitoba's Early Learning Child Care Office.
6. The organizations must provide evidence of available funding and commitment to complete the project and assurance that no ongoing operating subsidies from the City will be required over the life of the development.		X	The proponent only provided evidence for funding for 2014, and a copy of last audited company statement. See Schedule D
General Comments: The Property Management Branch has concluded that Pinkham Daycare Inc. satisfies only 5 out of the 6 criteria required to receive a non-monetary grant from the City of Winnipeg, however based on the continuous support the group has been receiving from the province, we are optimistic that they will secure funds for 2015.			

Criteria for Consideration of Non-Monetary Grant

Pinkham Daycare Inc.

Contact Person: Don Milberg (Executive Director)

Phone Number: 204-783-4645

Email: dmilberg_@hotmail.com

Information on the following six criteria is required for the consideration of a lease agreement between a non-profit organization and the City of Winnipeg:

1. Demonstrate that the facility is operated in its entirety by a non-profit organization for non-profit use. All subsidies or grants and corresponding revenues must be clearly identified.

    a. Response from Proponent: We are a non-profit organization with a charitable number from Revenue Canada 133627166RP0001. We have a board of directors and are registered with the Province of Manitoba's Companies office # 133627166MC001. We are a Not-for-profit day care providing early childhood education and care to community residents.

2. Demonstrate how the organization provides for activities which are compatible with the City's needs.

    a. **Response from Proponent**: We are open for business Monday –Friday 7:00 – 17:30 and we care for children aged 3 months – 12 years of age January – December and are only closed for Statutory and Provincial holidays as directed by the Province of Manitoba's Early Learning and Child Care Office.

3. Demonstrate how the organization provides facilities for which there is a current and projected need in that location.

    a. **Response from Proponent:** We currently have a waiting list of 251 children aged between 3 months and 5 years with an additional waiting list of 36 children aged between 6 – 12 years.

4. Demonstrate how the organization provides reasonable access to all Winnipeg residents without discrimination.

    a. **Response from Proponent**: We have historically filled our spots on a first come first served practice in accordance with Manitoba Human Rights. We have cared for children of all abilities, ethnicity, and diversity.

5. Demonstrate that the organization provides access without the charging of initiation fees or other costs which are incompatible with like facilities or organizations.

a. **Response from Proponent**: We charge fees that are recommended and scheduled by the Province of Manitoba's Early Learning and Child Care office.

6. Provide evidence of available funding and commitment to complete the project and assurance that no ongoing operating subsidies from the City will be required over the life of the development.

   a. Response from Proponent: We are providing a copy of our last audited statements for your reference.

SCHEDULE C

Manitoba
Family Services & Housing
Child Care Program
219 - 114 Garry Street
Winnipeg MB R3C 4V6
Canada

Telephone: (204) 945-0776
Fax: (204) 948-2625
Toll Free: 1-888-213-4754
Website: www.manitoba.ca/childcare

Joanne Alexander - Chairperson(s)
Don Milberg - Director(s)
Pinkham Day Care Inc.
765 Pacific Avenue (Ave)
Wpg, MB R3E 1G1

June 4, 2014

The Manitoba Child Care Program is pleased to advise you that your operating grant for the period January 1, 2014 to December 31, 2014 is approved in the amount of $241243.00.

The grant was based on usage of all spaces and calculated at 96% of the maximum operating grant for the funded spaces.

Grants are provided annually to child care providers, and are subject to budget allocations determined by the government for the fiscal year April 1 to March 31. The operating grant will be issued in four installments at the beginning of each quarter subject to the submission of the required financial reporting requirements.

A review of your Centre's budget has been completed and the finalized budget figures are enclosed. The board of directors of a child care centre is responsible for ensuring that the actual operating results are consistent with the finalized budget figures.

If you anticipate any major changes to your budget projections during the operating year or require assistance with any financial issues related to your program's operation, please call Teresa Cianflone at 204-945-2679 or toll free at 1-888-213-4754.

The Manitoba Child Care Program trusts that the operating grant will be of assistance to your child care program.

2014 Budget

Tx7001326588_DI30219721 JCE069 - 1.6.1-2007.10.22

PINKHAM DAY CARE INC. EARLY CHILDHOOD EDUCATION PROGRAM
765 PACIFIC AVE. WINNIPEG, MB. R3E 1G1

Charles Osondu
Real estate Officer
Planning Property and Development
City of Winnipeg
3rd Floor -65 Garry St.
Winnipeg, MB.
R3C 4K4

Friday January 9th 2015

I am writing in reply to your email regarding the lease of the property at 759 Ross Ave in Winnipeg.
We would like to continue in our lease of the aforementioned property identified in the lease agreement file numbered R.12.1/99 (37) with another 5 year term.

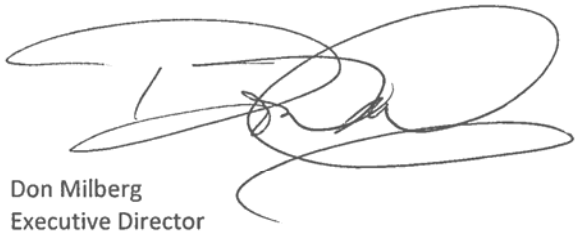
In response to the Non-Monetary Grant questionnaire;

1) We are a non-profit organization with a charitable number from Revenue Canada 133627166RP0001. we have a board of directors and are registered with the Province of Manitoba's Companies office # 133627166MC001. We are a not for profit day care providing early childhood education and care to community residents.
2) We are open for business Monday – Friday 7:00 – 17:30 we care for children aged 3 months – 12 years of age January – December and are only closed for Statutory and provincial Holidays as directed by The Province of Manitoba's Early Learning and Child Care office.
3) We currently have a waiting list of 251 children aged between 3 months and 5 years with an additional waiting list of 36 children aged between 6 – 12 years.
4) We have historically filled our spots on a first come first served practice in accordance with Manitoba Human Rights. We have cared for children of all abilities, ethnicity and diversity.
5) We charge fees that are recommended and scheduled by the Province of Manitoba's Early Learning and Child Care office.
6) We are providing a copy of our last audited statements for you reference.

Should you have any further requests please call me at 204 774-3754 or email me via

dmilberg_@hotmail.com

Respectfully,



Don Milberg
Executive Director

Infant/Preschool 204-783-4645

School Age 204-774-3754

Fax: 204-774-1032

SCHEDULE D

Pinkham Day Care Inc.

Financial Statements

December 31, 2013

Haworth & Company
CERTIFIED GENERAL ACCOUNTANTS
PROFESSIONAL CORPORATION

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Statement of Operations	4
Statement of Net Assets	5
Statement of Cash Flows	6
Detailed Statement of Expenses	7
Notes to Financial Statements	8 - 11

Haworth & Company
CERTIFIED GENERAL ACCOUNTANTS
PROFESSIONAL CORPORATION
585 London Street
Winnipeg, Manitoba R2K 2Z6
Telephone (204) 667-1735
Fax (204) 667-1747
e-mail: haworth@mts.net

Independent Auditor's Report

To the Members of
Pinkham Day Care Inc.;

We have audited the accompanying financial statements of Pinkham Day Care Inc. which comprise the statement of financial position as at December 31, 2013 and the statement of operations, statement of net assets and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives a part of its revenues from the general public in the form of donations and special fundraising projects, the completeness of which is not susceptible to audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, assets and net assets.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Pinkham Day Care Inc. as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Harworth & Co.

Certified General Accountants

Winnipeg, Manitoba
March xx, 2014

Harworth & Company
CERTIFIED GENERAL ACCOUNTANTS
PROFESSIONAL CORPORATION

Pinkham Day Care Inc.

STATEMENT OF FINANCIAL POSITION
As at December 31

	2013	2012
ASSETS		
Current assets		
Cash	$ 35,886	$ 39,047
Accounts receivable (note 3)	41,282	29,456
Prepaid expenses	7,863	8,123
	85,031	**76,626**
Tangible capital assets (note 4)	30,226	33,732
	$ 115,257	**$ 110,358**
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	$ 24,873	$ 22,449
Other liabilities (note 6)	18,523	19,282
	43,396	**41,731**
Net assets		
Unrestricted	41,635	34,895
Investment in capital assets	30,226	33,732
	71,861	**68,627**
	$ 115,257	**$ 110,358**

On behalf of the Board

Director — Shannon Allard

Director — Joanne Alexander

The attached notes are an integral part of these financial statements.

Haworth & Company
CERTIFIED GENERAL ACCOUNTANTS
PROFESSIONAL CORPORATION

Pinkham Day Care Inc.

STATEMENT OF OPERATIONS
For the year ended December 31

	2013 Budget	2013 Actual	2012 Actual
Revenue			
Province of Manitoba			
- Disability Staffing grant	$ 15,988	$ 22,715	$ -
- Operating grant	238,966	243,440	235,974
- Pension Plan grant	12,158	13,441	11,530
Fees - parents	260,055	71,889	87,587
- subsidy		178,958	164,583
Hiring Credit for Small Business	-	439	-
Workers Compensation proceeds	-	3,418	-
Donations	-	500	-
Fundraising income	2,200	2,678	1,300
	529,367	**537,478**	**500,974**
Expenses			
Salaries and benefits	417,311	432,249	399,485
Program	36,900	40,328	34,715
Office and building	24,200	27,768	25,190
Administrative	32,625	27,588	26,266
	511,036	**527,933**	**485,656**
Excess (deficiency) of revenues over expenses before appropriations	**18,331**	**9,545**	**15,318**
Appropriation for capital assets	(13,520)	(2,805)	(4,373)
Excess (deficiency) of revenues over expenses after appropriations	**$ 4,811**	**$ 6,740**	**$ 10,945**

The attached notes are an integral part of these financial statements.

Haworth & Company
CERTIFIED GENERAL ACCOUNTANTS
PROFESSIONAL CORPORATION

Pinkham Day Care Inc.

STATEMENT OF NET ASSETS
For the year ended December 31

	Unrestricted	Investment in Capital Assets	2013 Total	2012 Total
Balance, beginning of year	$ 34,895	$ 33,732	$ 68,627	$ 59,481
Excess (deficiency) of revenues over expenses	6,740	-	6,740	10,945
Capitalization of equipment purchases during the current year	-	2,805	2,805	4,373
Amortization	-	(6,311)	(6,311)	(6,172)
Balance, end of year	**$ 41,635**	**$ 30,226**	**$ 71,861**	**$ 68,627**

The attached notes are an integral part of these financial statements.

Haworth & Company
CERTIFIED GENERAL ACCOUNTANTS
PROFESSIONAL CORPORATION

Pinkham Day Care Inc.

STATEMENT OF CASH FLOWS
For the year ended December 31

	2013	2012
Operating activities		
Excess (deficiency) of revenues over expenses	$ 9,545	$ 15,318
Changes in non-cash operating working capital		
(Increase)/decrease in accounts receivable	(11,826)	(4,923)
(Increase)/decrease in prepaid expenses	260	(4,069)
Increase/(decrease) in accounts payable and accrued liabilities	2,424	112
Increase/(decrease) in deferred revenue	(759)	1,216
Net cash provided by (used by) operations	**(356)**	**7,654**
Investing activities		
Purchase of tangible capital assets	(2,805)	(4,373)
Net increase (decrease) in cash and cash equivalents	**(3,161)**	**3,281**
Cash and cash equivalents, beginning of year	39,047	35,766
Cash and cash equivalents, end of year	**$ 35,886**	**$ 39,047**
Cash and cash equivalents are represented by:		
Cash on hand and in bank	$ 35,836	$ 38,997
Petty cash	50	50
	$ 35,886	**$ 39,047**

The attached notes are an integral part of these financial statements.

Haworth & Company
CERTIFIED GENERAL ACCOUNTANTS
PROFESSIONAL CORPORATION

Pinkham Day Care Inc.

DETAILED STATEMENT OF EXPENSES
For the year ended December 31

	2013 Budget	2013 Actual	2012 Actual
Salaries and benefits			
Salaries	$ 367,714	$ 384,045	$ 355,048
Canada Pension Plan	15,266	15,716	13,950
Employment Insurance	8,112	9,417	8,316
Workers Compensation	1,414	1,861	1,362
Group insurance	9,064	10,650	11,157
Staff appreciation	2,000	66	-
Pension Plan	12,157	9,022	8,213
MCCA	1,584	1,472	1,439
	417,311	**432,249**	**399,485**
Program			
Activity supplies	10,000	11,860	9,645
Equipment and furniture	-	-	443
Equipment repairs	500	388	295
Food	16,500	16,231	14,513
Kitchen and cleaning supplies	6,700	8,670	6,640
Special events and outings	3,200	3,179	3,179
	36,900	**40,328**	**34,715**
Office and building			
Rent	16,750	16,970	16,561
Utilities	5,750	5,175	4,967
Taxes	200	186	186
Equipment and furniture	-	-	396
General repairs and maintenance	1,500	5,437	3,080
	24,200	**27,768**	**25,190**
Administrative			
Accounting and payroll services	5,750	6,670	5,766
Advertising	200	163	163
Annual meeting	300	191	215
Annual return	25	25	25
Association dues	200	316	-
Audit fee	3,600	3,536	3,395
Bank service charges	750	216	678
Computer software and supplies	1,750	1,315	1,736
Insurance	4,500	4,739	4,481
Postage and stationery	2,750	2,301	2,223
Staff training and conferences	2,500	122	216
Telephone and internet	8,400	6,505	7,026
Travel - employees	800	-	-
Bad debt	800	1,131	102
Fundraising	300	358	240
	32,625	**27,588**	**26,266**
	$ 511,036	**$ 527,933**	**$ 485,656**

The attached notes are an integral part of these financial statements.

Haworth & Company
CERTIFIED GENERAL ACCOUNTANTS
PROFESSIONAL CORPORATION

1. NATURE OF THE ORGANIZATION

Pinkham Day Care Inc. (the Organization), a not-for-profit organization, was incorporated under Manitoba legislation on December 18, 1989. The Organization provides child care services for children in the community from ages of three months to twelve years. The Organization qualifies as a not-for-profit organization as defined in the Income Tax Act and, as such, is exempt from income tax.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Organization prepares its financial statements in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Fund accounting

For presentation in these financial statements, the activities of the Organization are accounted for utilizing fund accounting. Accordingly, two funds, an Unrestricted Fund and an Investment in Capital Assets Fund have been established to account for the activities described below:

The Unrestricted Fund reflects the co-ordination, communication, fundraising and administration activities of the Organization. Accordingly, all revenue received and expenditures incurred for these purposes, together with all donations received, are reflected in this Fund.

The Investment in Capital Assets Fund reflects expenditures for program and office equipment used by the Organization, as well as any expenditures for building improvements to the existing premises. Accordingly, all expenditures related to these costs are reflected in this Fund.

Tangible capital assets

Tangible capital assets purchased by the organization are recorded at cost and any assets donated to the Organization are recorded at their fair market value on the date of acquisition. The carrying value of tangible capital assets is amortized on a straight-line basis over five years for equipment and twenty-seven years for leasehold improvements. Amortization expense is reported in the Investment in Capital Asset Fund.

Revenue recognition

Fees are recognized when provision of daycare services have been delivered to families and ultimate collection is reasonably assured at the time of performance.

The Organization follows the deferral method in accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable, and when collectibility is reasonably assured.

Contributed services and donated materials are recognized as revenue if the fair value can be reasonably estimated at the date of contribution.

Haworth & Company
CERTIFIED GENERAL ACCOUNTANTS
PROFESSIONAL CORPORATION

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

When preparing financial statements according to ASNPO, the Organization makes estimates and assumptions relating to:

- Reported amounts of revenue and expenses;
- Reported amounts of assets and liabilities; and
- Disclosure of contingent assets and liabilities.

Management's assumptions are based on a number of factors, including historical experience, current events and actions that the Organization may undertake in the future, and other assumptions that we believe are reasonable under the circumstances. Actual results could differ from those estimates under different conditions and assumptions.

3. ACCOUNTS RECEIVABLE

	2013	2012
Province of Manitoba - Subsidy	$ 19,360	$ 15,625
- Disability Staffing grant	2,378	-
- Pension Plan grant	9,356	5,491
Goods and Services tax	1,208	1,097
Parents fees	9,940	6,365
Employees	-	878
	42,242	**29,456**
Less: Allowance for Doubtful Accounts	960	-
	$ 41,282	**$ 29,456**

4. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2013	Net Book Value 2012
Equipment	$ 13,713	$ 7,332	$ 6,381	$ 4,610
Leasehold improvements	43,769	19,924	23,845	29,122
	$ 57,482	**$ 27,256**	**$ 30,226**	**$ 33,732**

Haworth & Company
CERTIFIED GENERAL ACCOUNTANTS
PROFESSIONAL CORPORATION

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2013	2012
Audit fee	$ 3,616	$ 3,472
Accrued salaries	10,297	7,522
Trade accounts payable	5,475	5,994
Accrued vacation pay	-	309
Registration deposits	5,485	5,152
	$ 24,873	**$ 22,449**

6. OTHER LIABILITIES

	2013	2012
Deferred revenue - Parents	$ 583	$ 1,342
Subsidy advance	17,940	17,940
	$ 18,523	**$ 19,282**

7. BUDGET

The budget figures presented for comparative purposes are unaudited and are those approved by the Board of Directors.

8. ANNUAL RETURN

As confirmed by the Companies Office, the Organization has filed their 2012 annual return and is considered in good standing.

9. LEASE COMMITMENT

The Organization has entered into a lease agreement with the Winnipeg School Division for the location at 765 Pacific Avenue, which has an expiry date of June 30, 2014. Costs for the upcoming year are $1,432.00 per month.

A separate lease agreement for the location at 759 Ross Avenue was signed with City of Winnipeg. Monthly costs are equal to the operating costs plus $1.00 per year. The Organization has exercised its right to renew the lease for another five years to November 3, 2014.

The future minimum annual lease payments required under these operating leases are:

2014	$ 8,593
	$ 8,593

10. COMPENSATION DISCLOSURE

In accordance with The Public Sector Compensation Disclosure Act, the director of Pinkham Day Care Inc., Don Milberg, was paid $71,483 during the fiscal year ended December 31, 2013.

Haworth & Company
CERTIFIED GENERAL ACCOUNTANTS
PROFESSIONAL CORPORATION

11. ECONOMIC DEPENDENCE

The Organization is economically dependent on government funding and independent grants, which represent 85.4% (2012 - 82.3%) of the total revenue.

12. FINANCIAL INSTRUMENTS

The Organization uses risk management to monitor and manage its risk arising from financial instruments. These risks include credit risk, interest rate risk and liquidity risk. The Organization does not use any derivative financial instruments to mitigate these risks.

Credit risk

Credit risks arise from two sources: cash and cash equivalents and accounts receivable. Cash and cash equivalents are deposited with reputable, major financial institutions to limit the credit risk exposure. The credit risk from counter parties not paying accounts receivable is not considered to be significant.

Interest rate risk

The Organization is exposed to interest rate risk with respect to the cash and cash equivalents. Changes in interest rates can affect the cash flows related to interest income and expense.

Liquidity risk

Liquidity risk exposure is dependent on the receipt of funds from federal and provincial government grants, membership fees and other sources to enable the Organization to pay its liabilities as they become due.