DECISION ITEM
BOARD/COMMITTEE: BOARD OF DIRECTORS
MEETING DATE: JUNE 18, 2025
AGENDA ITEM: 2024-25 Draft Audited Financial Statements
SPONSOR: Finance Committee

RECOMMENDATION:

The Finance Committee recommends that the Board approve the 2024-25 draft audited financial statements.

SUMMARY OF KEY ISSUES:

- The 2024-25 audit was performed by KPMG LLP (KPMG), which has performed RODS' external audit since the 2015-16 fiscal year. KPMG's services also include a letter of audit findings and the preparation and filing of RODS' T3010 return for the Canada Revenue Agency. The aggregate cost of these services has been quoted at $19,800.
- KPMG has issued an unqualified (i.e. "clean") audit opinion on RODS' 2024-25 financial statements, and its management letter has identified no concerns with RODS' system of internal controls and no material disagreements with management.
- If approved by the Board, the audited financial statements will be presented to RODS' membership at the annual general meeting on June 25, 2025.

BACKGROUND AND ANALYSIS:

The 2024-25 audited financial statements have been provided to the Board as a separate attachment to this decision item. What follows is a highly summarized version of the outcome of the audit and the information provided in the 2024-25 financial statements. **Board members are strongly encouraged to carefully review the financial statements and other information provided by KPMG**, as this is a core responsibility of board governance.

KPMG's Management Report

The management report states that KPMG has "…. not identified any differences that remain uncorrected" in the financial statements.

KPMG's Audit Opinion

The most significant part of an independent external auditor's report is the opinion section. KPMG has documented its opinion as follows:

> *"In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2025 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations".*

This wording provides an "unqualified audit opinion", which means that the external auditor believes that the information is free of material misstatement. For this audit, KPMG assessed a materiality level of $388,000; materiality is a matter of professional judgement.

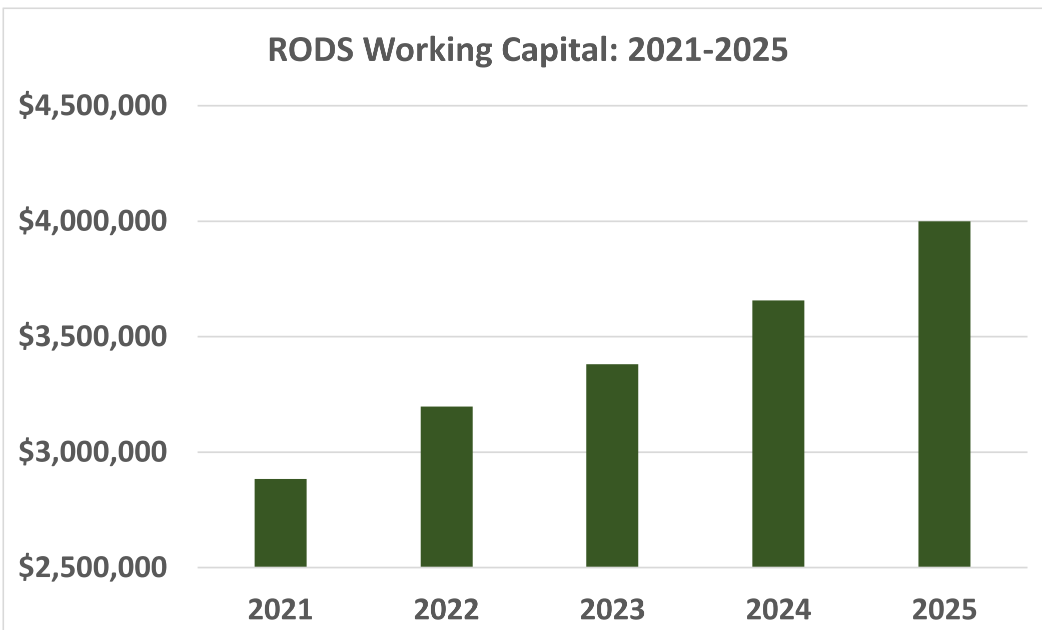
Financial Statement Highlights: Working Capital

RODS had working capital (current assets minus current liabilities) of $4.0 million at March 31, 2025. The chart below shows that the growth in 2024-25 aligns with the trend of recent years. The main reasons for the growth in working capital have been:

- annual surpluses; and,
- net amortization expense (a non-cash expense) on the Smith Street building.

The large and growing working capital balances indicate that RODS is in a sound financial position and is able to extinguish its liabilities.

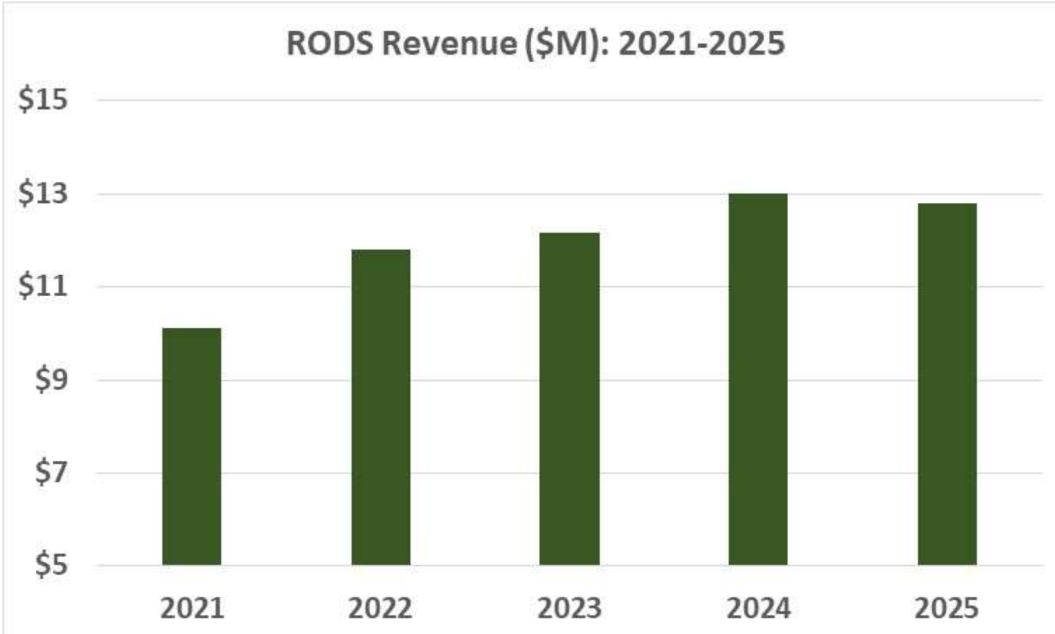
Note that the amounts shown in the graph are also RODS' reserves. At March 31, 2025, RODS' reserves were equivalent to 125 days of non-daycare revenue. In addition, RODS had an unused line of credit of $500,000 which provides a further 16 days of reserves (for a total of 141 days) if required. The amount of reserves greatly exceeds the target level of 45 days that is included in RODS' reserves policy.



Financial Statement Highlights: Revenue

RODS recorded revenue of $12.8 million during 2024-25. The chart on the following page shows that this is 27% higher than the revenue realized in 2021. Nevertheless, 2024-25 revenue was nearly 2% below the prior year, due primarily to the discontinuation of funding for the YESS program at March 31, 2024 and cuts to the Resettlement Assistance Program (RAP).

2024-25 was the final year of RODS' five year funding agreements with the IRCC. New three year agreements have since been signed. These new agreements have incorporated significant cuts to programming (particularly to language instruction), and by extension, to the amounts available to RODS to cover administration costs.

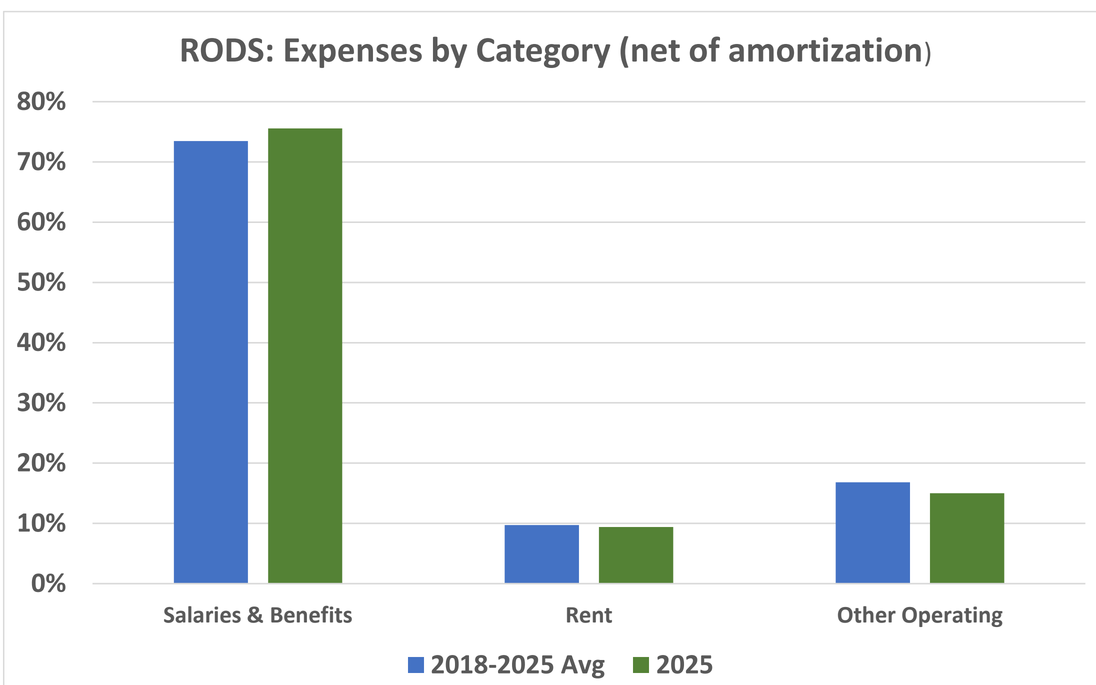


Tremendous uncertainty exists regarding federal immigration policy, so there is significant risk that future funding levels could be less than the 2024-25 amount.

Financial Statement Highlights: Expenses

The unpredictability of funding means that a key success factor for RODS is its ability to scale program delivery costs to the level of funding that is being provided.

The graph below shows a comparison of RODS' cost structure in 2024-25 to the 8 year period ending March 31, 2025.



The graph shows that the components of RODS' costs during 2024-25 were very consistent with prior years: salaries and benefits are approximately 75% of all costs, with the remaining costs consisting of rent (10% total costs) and other operating costs (15% of total costs).

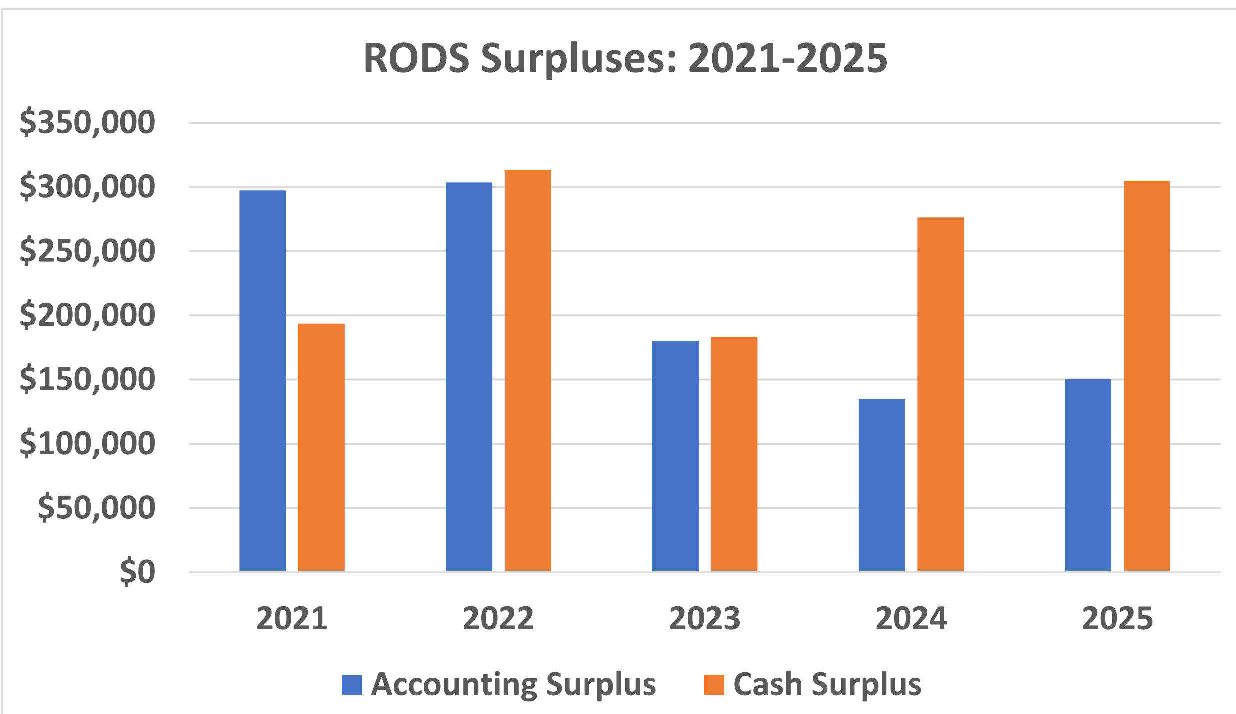
Historically, the largest components of other operating costs have been:

- Office supplies (19% of other operating costs)
- Travel and in-town transportation (16%)
- Repairs and maintenance (14%)
- Staff development (9%)

Financial Statement Highlights: Surplus/deficit

For 2024-25, RODS is reporting an accounting surplus of $150,336. This is at least the 20th consecutive year in which an accounting surplus has occurred.

For the five years ended March 31, 2025, RODS has reported a cumulative accounting surplus of $1.1 million and a cash surplus of $1.3 million. The cash surplus disregards non-cash items, and has usually exceeded the accounting surplus due to the presence of amortization expense (a non-cash cost) arising from the depreciation of the Smith Street building. Following the disposal of the Smith Street building, the annual accounting surplus should more closely approximate the cash surplus.



ALTERNATIVES:

Approve amendments to the audited financial statements. Any such amendments would have to be reviewed by KPMG.

ADVANCED CONSULTATION: The Finance Committee met with KPMG on June 16 to review the financial statements.

COMMUNICATION STRATEGY: The audited financial statements will be distributed at the AGM on June 25, 2025, and will be posted to RODS' website shortly thereafter.

REQUIRED APPROVAL: Board of Directors

STRATEGIC ALIGNMENT: N/A – constitutional and legislative requirement.

TIMEFRAME/CONSEQUENCES OF DEFERRING DECISION:

If the financial statements cannot be approved by the Board in advance of the June 25 AGM, the meeting will need to be postponed until approval can occur. RODS' constitution requires an AGM to be held "….. within three months of the end of the fiscal year", so postponement would cause RODS to violate its constitution.

Postponement could also have implications for Board membership, as a delay of more than 60 days in holding the AGM would reopen the nomination window for new directors as prescribed by section 7.4 of the constitution.

The Non-profit Corporations Act, 2022 prescribes the following obligation for holding an AGM: "The directors of a corporation shall call an annual meeting of members…….. not later than 15 months after holding the preceding annual meeting." This provision requires RODS to have an annual meeting by September 26, 2025.

Delaying the AGM could also result in reputational damage to RODS, as funders may question why RODS is unable to prepare its information by the originally intended date.