

**Compass Early Learning and Care  
Financial Statements**

For the year ended December 31, 2017

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## Independent Auditor's Report

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To the Board of Directors of  
Compass Early Learning and Care

We have audited the accompanying financial statements of Compass Early Learning and Care, which comprise the statement of financial position as at December 31, 2017, and the statements of changes in net assets, operations and 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 of these financial statements in accordance with Canadian generally accepted 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 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 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.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Compass Early Learning and Care as at December 31, 2017 and the statements of operations, net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting standards for not-for-profit organizations.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Peterborough, Ontario  
April 30, 2018

## Compass Early Learning and Care Statement of Financial Position

**December 31** **2017** **2016**

### Assets

#### Current

Cash and bank (Note 2)	\$ 713,221	\$ 451,999
Temporary investments (Note 3)	560,907	551,134
Accounts receivable	668,825	637,393
Prepaid expenses	79,954	104,177
Due from government agencies	298,962	186,059

**2,321,869** **1,930,762**

#### Capital assets (Note 4)

**395,195** **372,501**

**\$ 2,717,064** **\$ 2,303,263**

### Liabilities and Net Assets

#### Current

Accounts payable and accrued liabilities (Note 5)	\$ 608,572	\$ 602,908
Deferred revenue	302,403	248,153
Parent fee deposits	328,608	317,029

**1,239,583** **1,168,090**

#### Deferred contributions related to capital assets (Note 6)

**194,344** **156,639**

**1,433,927** **1,324,729**

#### Commitments (Note 7)

#### Net Assets

Net assets invested in capital assets	200,852	215,862
Internally restricted reserves (Note 8)	1,082,285	762,672

**1,283,137** **978,534**

**\$ 2,717,064** **\$ 2,303,263**

Approved on behalf of the Board

\_\_\_\_\_ Director

\_\_\_\_\_ Director

The accompanying notes are an integral part of these financial statements

## Compass Early Learning and Care Statement of Changes in Net Assets

For the year ended December 31	Invested in capital assets	Internally restricted reserves	Unrestricted	Total 2017	Total 2016
Balance, beginning of year	\$ 215,862	\$ 762,672	\$ -	\$ 978,534	\$ 1,111,013
Excess of revenue over expense (expense over revenue)	(44,351)	-	348,954	304,603	(132,479)
Net investment in capital assets	111,260	-	(111,260)	-	-
Funding received in the year related to capital assets	(81,919)	-	81,919	-	-
Internal transfers (Note 8)	-	319,613	(319,613)	-	-
<b>Balance, end of year</b>	<b>\$ 200,852</b>	<b>\$ 1,082,285</b>	<b>\$ -</b>	<b>\$ 1,283,137</b>	<b>\$ 978,534</b>

The accompanying notes are an integral part of these financial statements

## Compass Early Learning and Care Statement of Operations

For the year ended December 31	2017	2016
<b>Revenue</b>		
Parent fees	\$ 6,521,259	\$ 5,826,224
Government grants and subsidy (Note 11)	4,266,459	3,698,839
Wage enhancement (Note 12)	718,107	668,677
DNRFP	497,523	444,236
Other income and management fee	65,954	82,400
Professional development	154,906	29,466
Amortization of deferred contributions (Note 6)	44,214	34,276
	<b>12,268,422</b>	<b>10,784,118</b>
<b>Expenses</b>		
Amortization	88,565	83,283
Bad debts	23,563	2,027
Bank charges	71,150	55,614
Food	381,106	341,522
Insurance	43,809	42,275
Minor equipment and leasehold improvements	11,557	19,702
Miscellaneous and management fee	31,733	58,886
Office expenses	151,534	147,200
Professional development	171,193	88,506
Professional fees	16,408	20,089
Program	28,518	20,203
Provider fees	722,915	553,432
Rent and maintenance	245,536	241,873
Salaries and benefits	8,996,930	8,279,324
Salaries and benefits - wage enhancement (Note 12)	718,107	668,677
Telephone	66,567	64,555
Toys	36,447	69,414
Travel and education	58,188	60,277
Utilities	97,341	98,601
Waterworks	2,652	1,137
	<b>11,963,819</b>	<b>10,916,597</b>
<b>Excess of revenue over expenses for the year</b>		
<b>(expenses over revenue)</b>	<b>\$ 304,603</b>	<b>\$ (132,479)</b>

The accompanying notes are an integral part of these financial statements

## Compass Early Learning and Care Statement of Cash Flows

For the year ended December 31	2017	2016
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenses for the year (expenses over revenue)	\$ 304,603	\$ (132,479)
Items not involving cash		
Amortization of capital assets	88,565	83,283
Amortization of deferred contributions (Note 6)	(44,214)	(34,276)
	<u>348,954</u>	<u>(83,472)</u>
Changes in non-cash working capital balances		
Accounts receivable	(31,432)	22,525
Deferred revenue	54,250	179,129
Prepaid expenses	24,223	(20,903)
Due from government agencies	(112,903)	(8,745)
Accounts payable and accrued liabilities	5,665	95,662
Parent fee deposits	11,579	(96,479)
	<u>300,336</u>	<u>87,717</u>
<b>Investing activities</b>		
Purchases of capital assets	(111,260)	(102,789)
Change in temporary investments	(9,773)	(9,799)
	<u>(121,033)</u>	<u>(112,588)</u>
<b>Financing activities</b>		
Capital contributions	81,919	21,950
	<u>261,222</u>	<u>(2,921)</u>
<b>Increase (decrease) in cash during the year</b>	<b>261,222</b>	<b>(2,921)</b>
<b>Cash and bank, beginning of year</b>	<b>451,999</b>	<b>454,920</b>
<b>Cash and bank, end of year</b>	<b>\$ 713,221</b>	<b>\$ 451,999</b>

The accompanying notes are an integral part of these financial statements

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# Compass Early Learning and Care

## Notes to Financial Statements

December 31, 2017

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### 1. Significant Accounting Policies

**a) Nature and Purpose of Organization**

Compass Early Learning and Care is a non-profit organization incorporated without share capital under the laws of Ontario. The purpose of the organization is to promote and support the well being of children and their families through the provision of quality child care options. The organization is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

**b) Basis of Accounting**

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

**c) 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. 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.

**d) Contributed Services**

Volunteers contribute their time to assist the organization in carrying out its service delivery activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

**e) Capital assets**

Capital assets are recorded at cost. Assets with a cost of less than \$1,000 are written off in the year acquired. Amortization is provided on the declining balance basis at the following rates:

Computer equipment	33 1/3%
Leasehold improvements	20%
Other equipment	20%

**f) Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of these financial statements are the determination of the allowance for doubtful accounts and estimated useful life of capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future.

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## Compass Early Learning and Care Notes to Financial Statements

December 31, 2017

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### 1. Significant Accounting Policies (continued)

#### g) Financial Instruments

The organization's financial assets consisting of cash, temporary investments, accounts receivable, and due from government agencies are recorded at fair value when acquired or issued. In subsequent periods they are reported at cost or amortized cost less impairment, if applicable.

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### 2. Cash and Bank

The organization's bank accounts are held at one chartered bank. The bank accounts earn nominal rates of interest.

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### 3. Temporary Investments

Temporary investments consist of the following:

	<u>2017</u>	<u>2016</u>
Cash held with investment company	\$ 5,313	\$ 9,959
Guaranteed Investment Certificates (GICs)	486,723	431,723
Money market funds	68,871	109,452
	<u>\$ 560,907</u>	<u>\$ 551,134</u>

The balances held in investments are held with one investment company. The guaranteed investment certificates bear stated fixed interest rates ranging from 0.95% to 2.65% which is paid annually, and have maturity dates ranging from October 2018 to September 2022.

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## Compass Early Learning and Care Notes to Financial Statements

**December 31, 2017**

### 4. Capital assets

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 122,123	\$ 94,876	\$ 104,079	\$ 86,023
Other equipment	495,028	310,451	415,797	274,229
Leasehold improvements	702,900	519,529	688,918	476,041
	<b>\$ 1,320,051</b>	<b>\$ 924,856</b>	<b>\$ 1,208,794</b>	<b>\$ 836,293</b>
Net book value		<b>\$ 395,195</b>		<b>\$ 372,501</b>

### 5. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$19,259 (2016 - \$22,063).

### 6. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets include the unamortized portions of restricted contributions with which various capital assets have been purchased. The changes for the year in the deferred contributions balance reported are as follows:

	2017	2016
Balance, beginning of year	\$ 156,639	\$ 168,965
Capital contributions	81,919	21,950
Revenue recognized in the year related to capital assets	(44,214)	(34,276)
Balance, end of year	<b>\$ 194,344</b>	<b>\$ 156,639</b>

### 7. Commitments

The organization has entered into various leases for premises and office equipment. At December 31, 2017 the committed payments for the next 4 years on the premises and office equipment are as follows:

2018	\$	45,246
2019		45,246
2020		45,246
2021		390

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## Compass Early Learning and Care Notes to Financial Statements

**December 31, 2017**

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### 8. Internally Restricted Reserves

The board has established an internal reserve for the purpose of establishing a new child care centre. They have also established a contingency fund to build a reserve adequate to cover three months worth of operating expenditures.

	New Centre Reserve	Contingency Reserve	2017 Total	2016 Total
Beginning balance	\$ 250,000	\$ 512,672	\$ 762,672	\$ 926,983
Transfers	-	319,613	319,613	(164,311)
Ending balance	<u>\$ 250,000</u>	<u>\$ 832,285</u>	<u>\$ 1,082,285</u>	<u>\$ 762,672</u>

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### 9. Economic Dependence

The organization receives a significant amount of support from the City of Peterborough, Durham Region and the City of Kawartha Lakes and as such, is economically dependent upon these sources of revenue. Amounts received from these funders and their associated purposes are as noted in Notes 11 and 12.

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### 10. Financial Instrument Risk

#### 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 resulting from the possibility that a parent or counterpart to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterpart; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The organization's financial instruments that are exposed to concentrations of credit risk relate primarily to the accounts receivable from parents.

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## Compass Early Learning and Care Notes to Financial Statements

**December 31, 2017**

### 11. Government Grants and Subsidy

The organization receives the support of several funders through various grants and subsidies. These grants and subsidies are recorded as income when the criteria for earning them have been met and are otherwise deferred. The following represents grants and subsidies received in the current year.

	2017	2016
City of Peterborough		
Childcare subsidy	\$ 991,436	\$ 887,729
General operating grants	675,939	494,512
Pay equity	25,288	25,288
	<b>1,692,663</b>	<b>1,407,529</b>
City of Kawartha Lakes		
Childcare subsidy	1,053,607	1,004,829
General operating grants	748,937	602,649
	<b>1,802,544</b>	<b>1,607,478</b>
Durham Region		
Childcare subsidy	341,958	313,065
General operating grants	220,849	200,875
Pay equity	11,302	11,253
	<b>574,109</b>	<b>525,193</b>
Various other grants and subsidies	85,828	45,639
Five Counties Children's Centre	111,315	113,000
	<b>197,143</b>	<b>158,639</b>
	<b>\$ 4,266,459</b>	<b>\$ 3,698,839</b>

## Compass Early Learning and Care Notes to Financial Statements

**December 31, 2017**

### 12. Provincial Wage/Home Child Care Enhancement Grant

The Ministry of Education supports an initiative to provide a wage improvement subsidy of up to \$2/hour to staff working in licensed child care programs, and up to \$20/day to home child care providers providing care through a licensed home child care agency. Compass Early Learning and Care, as the operator of child care programs, received and disbursed the Wage/Home Child Care Enhancement funds to eligible employees/home child care providers, as follows:

	<b>2017</b>		
	<b>Funding Received</b>	<b>Unspent Funds Repayable</b>	<b>Disbursed Funds</b>
City of Peterborough	\$ 316,912	\$ (25,804)	\$ 291,108
City of Kawartha Lakes	285,347	(27,615)	257,732
Durham Region	175,804	(6,537)	169,267
	<b>\$ 778,063</b>	<b>\$ (59,956)</b>	<b>\$ 718,107</b>
	<b>2016</b>		
	<b>Funding Received</b>	<b>Unspent Funds Repayable</b>	<b>Disbursed Funds</b>
City of Peterborough	\$ 289,308	\$ (5,145)	\$ 284,163
City of Kawartha Lakes	236,908	-	236,908
Durham Region	147,655	(49)	147,606
	<b>\$ 673,871</b>	<b>\$ (5,194)</b>	<b>\$ 668,677</b>

### 13. Comparative Amounts

Comparative amounts presented in the financial statements have been restated to conform to the current years presentation.



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## Auditors' Comments on Supplementary Information

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To the Board of Directors of  
Compass Early Learning and Care

We have audited the financial statements of Compass Early Learning and Care, which comprise the statement of financial position as at December 31, 2017 and the statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have issued our report thereon dated April 30, 2018 which contained an unmodified opinion on those financial statements. The audit was performed to form an opinion on the financial statements as a whole. The supplementary information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the financial statements.

The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such supplementary information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Peterborough, Ontario  
April 30, 2018

**Compass Early Learning and Care  
Financial Statement Supplementary Information  
Operations by Program**

	City of Peterborough		City of Kawartha Lakes	Municipality of Durham	Investing in Quality	Admin and Program Support	Total 2017
	Centre Based	Home Care					
<b>Revenue</b>							
Parent fees	\$ 2,262,658	\$ 232,145	\$ 1,805,715	\$ 2,220,741	\$ -	\$ -	\$ 6,521,259
Government grants	1,161,943	568,140	1,794,720	582,204	111,314	48,138	4,266,459
Wage enhancement grant	-	-	-	-	-	718,107	718,107
DNFRP	264,804	-	206,046	26,673	-	-	497,523
Other income / management fee	8,710	28,642	77	8,078	-	20,447	65,954
Amortization of deferred contributions	-	-	-	-	-	44,214	44,214
Professional development	-	-	-	-	13,067	141,839	154,906
	<b>3,698,115</b>	<b>828,927</b>	<b>3,806,558</b>	<b>2,837,696</b>	<b>124,381</b>	<b>972,745</b>	<b>12,268,422</b>
<b>Expenses</b>							
Amortization	-	-	-	-	-	88,565	88,565
Bad debts	8,235	1,369	5,174	3,607	-	5,178	23,563
Bank charges	25,188	2,243	18,793	24,926	-	-	71,150
Food	135,442	-	125,142	120,464	-	58	381,106
Insurance	10,691	-	22,656	7,055	-	3,407	43,809
Minor equipment and improvements	4,770	208	2,862	3,292	-	425	11,557
Miscellaneous and management fees	14,745	-	1,465	1,515	10,800	3,208	31,733
Office expenses	36,011	1,229	32,881	29,348	1,849	50,216	151,534
Professional development	-	-	-	-	40	171,153	171,193
Professional fees	-	-	-	-	-	16,408	16,408
Program	11,342	52	6,931	10,193	-	-	28,518
Provider fees	-	536,245	186,670	-	-	-	722,915
Rent and maintenance	96,221	61	36,989	75,119	-	37,146	245,536
Salaries and benefits	2,987,808	119,792	2,925,936	2,068,714	89,253	805,427	8,996,930
Wage enhancement Salaries and benefits	-	-	-	-	-	718,107	718,107
Telephone	21,232	1,601	18,562	11,166	-	14,006	66,567
Toys	9,843	7,582	8,356	10,666	-	-	36,447
Travel and education	3,206	1,810	6,667	4,223	22,439	19,843	58,188
Utilities	16,949	-	59,257	21,135	-	-	97,341
Waterworks	2,652	-	-	-	-	-	2,652
	<b>3,384,335</b>	<b>672,192</b>	<b>3,458,341</b>	<b>2,391,423</b>	<b>124,381</b>	<b>1,933,147</b>	<b>11,963,819</b>
Admin and program support allocation	(327,770)	(65,633)	(335,313)	(231,686)	-	960,402	-
<b>Excess of revenue over expense</b>	<b>\$ (13,990)</b>	<b>\$ 91,102</b>	<b>\$ 12,904</b>	<b>\$ 214,587</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 304,603</b>