

Compass Early Learning and Care
Financial Statements
For the year ended December 31, 2018

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Independent Auditor's Report

**To the Board of Directors of
Compass Early Learning and Care**

Opinion

We have audited the financial statements of Compass Early Learning and Care (the Organization), which comprise the statement of financial position as at December 31, 2018, 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 December 31, 2018, and the results of operations and its 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 Canada, 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 audit 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 Organizations'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 Organizations'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.

Chartered Professional Accountants, Licensed Public Accountants
Peterborough, Ontario
April 29, 2019

Compass Early Learning and Care Statement of Financial Position

December 31 2018 2017

Assets

Current

Cash and bank (Note 2)	\$ 1,308,686	\$ 713,221
Temporary investments (Note 3)	872,021	560,907
Accounts receivable	570,080	668,825
Prepaid expenses	43,397	79,954
Due from government agencies	173,723	298,962
	2,967,907	2,321,869

Capital assets (Note 4)

	391,382	395,195
	\$ 3,359,289	\$ 2,717,064

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 5)	\$ 723,475	\$ 608,572
Deferred revenue	279,268	302,403
Parent fee deposits	361,092	328,608
	1,363,835	1,239,583

Deferred contributions related to capital assets (Note 6)

	192,680	194,344
	1,556,515	1,433,927

Commitments (Note 7)

Net Assets

Net assets invested in capital assets	198,703	200,852
Internally restricted reserves (Note 8)	1,604,071	1,082,285
	1,802,774	1,283,137

	\$ 3,359,289	\$ 2,717,064
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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 2018	Total 2017
Balance, beginning of year	\$ 200,852	\$1,082,285	\$ -	\$1,283,137	\$ 978,534
Excess of revenue over expense	(45,973)	-	565,610	519,637	304,603
Net investment in capital assets	85,427	-	(85,427)	-	-
Funding received in the year related to capital assets	(41,603)	-	41,603	-	-
Internal transfers (Note 8)	-	521,786	(521,786)	-	-
Balance, end of year	\$ 198,703	\$1,604,071	\$ -	\$1,802,774	\$ 1,283,137

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

2018

2017

Revenue

Parent fees	\$ 7,688,388	\$ 6,521,259
Government grants and subsidy (Note 11)	5,668,710	4,298,058
Wage enhancement (Note 12)	857,500	718,107
DNRFP	640,609	497,523
Other income and management fees	62,521	34,355
Professional development	281,875	154,906
Amortization of deferred contributions (Note 6)	43,267	44,214
	15,242,870	12,268,422

Expenses

Amortization	89,240	88,565
Bad debts	96,862	23,563
Bank and processing charges	216,896	113,921
Food	427,032	381,106
Insurance	44,988	43,809
Minor equipment and leasehold improvements	25,803	11,557
Miscellaneous and management fees	82,342	53,206
Office expenses	186,383	151,534
Other initiatives	474,212	-
Professional development	209,485	171,193
Professional fees	23,713	16,408
Program	36,910	28,518
Provider fees	914,594	722,915
Rent and maintenance	330,073	245,536
Salaries and benefits	10,377,565	8,932,686
Salaries and benefits - wage enhancement (Note 12)	857,500	718,107
Telephone	66,914	66,567
Toys	86,837	36,447
Travel and education	56,681	58,188
Utilities	105,034	97,341
Waterworks	14,169	2,652
	14,723,233	11,963,819

Excess of revenue over expenses for the year	\$ 519,637	\$ 304,603
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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	2018	2017
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	\$ 519,637	\$ 304,603
Items not involving cash		
Amortization of capital assets	89,240	88,565
Amortization of deferred contributions (Note 6)	(43,267)	(44,214)
	565,610	348,954
Changes in non-cash working capital balances		
Accounts receivable	98,745	(31,432)
Deferred revenue	(23,135)	54,250
Prepaid expenses	36,557	24,223
Due from government agencies	125,239	(112,903)
Accounts payable and accrued liabilities	114,903	5,665
Parent fee deposits	32,484	11,579
	950,403	300,336
Investing activities		
Purchases of capital assets	(85,427)	(111,260)
Change in temporary investments	(311,114)	(9,773)
	(396,541)	(121,033)
Financing activities		
Capital contributions	41,603	81,919
	595,465	261,222
Increase in cash during the year	595,465	261,222
Cash and bank, beginning of year	713,221	451,999
Cash and bank, end of year	\$ 1,308,686	\$ 713,221

The accompanying notes are an integral part of these financial statements

Compass Early Learning and Care Notes to Financial Statements

December 31, 2018

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.

Compass Early Learning and Care Notes to Financial Statements

December 31, 2018

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.

2. Cash and Bank

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

3. Temporary Investments

Temporary investments consist of the following:

	<u>2018</u>	<u>2017</u>
Cash held with investment company	\$ 2,370	\$ 5,313
Guaranteed Investment Certificates (GICs)	787,705	486,723
Money market funds	81,946	68,871
	<u>\$ 872,021</u>	<u>\$ 560,907</u>

The balances held in investments are held with one investment company. The guaranteed investment certificates bear stated fixed interest rates ranging from 1.50% to 3.11% which is paid annually, and have maturity dates ranging from July 2019 to September 2022.

Compass Early Learning and Care Notes to Financial Statements

December 31, 2018

4. Capital assets

	2018		2017	
Accumulated	Accumulated			
	Cost	Amortization	Cost	Amortization
Computer equipment	\$ 136,782	\$ 106,189	\$ 122,123	\$ 94,876
Other equipment	547,577	352,592	495,028	310,451
Leasehold improvements	721,119	555,315	702,900	519,529
	\$ 1,405,478	\$ 1,014,096	\$ 1,320,051	\$ 924,856
Net book value	\$ 391,382		\$ 395,195	

5. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$19,575 (2017 - \$19,259).

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:

	2018	2017
Balance, beginning of year	\$ 194,344	\$ 156,639
Capital contributions	41,603	81,919
Revenue recognized in the year related to capital assets	(43,267)	(44,214)
Balance, end of year	\$ 192,680	\$ 194,344

7. Commitments

The organization has entered into various leases for premises and office equipment. At December 31, 2018 the committed payments for the next three years on the premises and office equipment are as follows:

2019	\$	47,246
2020		9,496
2021		521

Compass Early Learning and Care Notes to Financial Statements

December 31, 2018

8. Internally Restricted Reserves

During the year, the board approved the creation of an internally restricted program improvement fund to cover the costs of major capital or other essential program improvement items, when municipal funding is not available.

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

	Program Improvement Reserve	New Centre Reserve	Contingency Reserve	2018 Total	2017 Total
Beginning balance \$	-	\$ 250,000	\$ 832,285	\$ 1,082,285	\$ 762,672
Transfers	250,000	100,000	171,786	521,786	319,613
Ending balance	<u>\$ 250,000</u>	<u>\$ 350,000</u>	<u>\$ 1,004,071</u>	<u>\$ 1,604,071</u>	<u>\$ 1,082,285</u>

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.

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.

Compass Early Learning and Care Notes to Financial Statements

December 31, 2018

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.

	2018	2017
City of Peterborough		
Childcare subsidy	\$ 1,134,454	\$ 991,436
General operating grants	746,624	675,939
Affordable for All grants	164,706	-
Licensed Home Child Care base funding	174,271	-
Fee stabilization	85,897	-
Pay equity	25,288	25,288
Other grants	33,677	38,932
	2,364,917	1,731,595
City of Kawartha Lakes		
Childcare subsidy	1,074,259	1,053,607
General operating grants	1,367,858	748,937
Fee stabilization	36,890	-
Other grants	16,609	9,966
	2,495,616	1,812,510
Durham Region		
Childcare subsidy	352,933	341,958
General operating grants	318,114	220,849
Pay equity	11,253	11,302
Other grants	10,048	10,445
	692,348	584,554
Various other grants and subsidies	60,749	58,084
Five Counties Children's Centre	55,080	111,315
	115,829	169,399
	\$ 5,668,710	\$ 4,298,058

Compass Early Learning and Care Notes to Financial Statements

December 31, 2018

12. Provincial Wage Enhancement Grant

In January 2015, the Ministry of Education implemented a new initiative to provide a wage enhancement grant up to \$2/hour plus 17.5% benefits to eligible staff working in licensed child 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:

	2018		
	Funding Received	Unspent Funds Repayable	Disbursed Funds
City of Peterborough	\$ 387,836	\$ (4,320)	\$ 383,516
City of Kawartha Lakes	307,940	(10,284)	297,656
Durham Region	180,032	(3,704)	176,328
	\$ 875,808	\$ (18,308)	\$ 857,500
	2017		
	Funding Received	Unspent Funds Repayable	Disbursed Funds
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
	\$ 778,063	\$ (59,956)	\$ 718,107

Compass Early Learning and Care Notes to Financial Statements

December 31, 2018

12. Provincial Wage Enhancement Grant (continued)

The organization received and disbursed the Wage Enhancement grant to eligible employees/home child care providers in the City of Peterborough, by site, as follows:

	2018		
	Funding Received	Unspent Funds Repayable	Disbursed Funds
Peterborough	\$ 67,261	\$ -	\$ 67,261
Apsley	19,558	-	19,558
Shamrock	24,343	-	24,343
Queen Mary	5,141	-	5,141
R.F. Downey	9,588	-	9,588
North Cavan	2,742	-	2,742
Prince of Wales	12,607	-	12,607
Queen Elizabeth	5,141	-	5,141
St. Anne's	11,882	-	11,882
St. Joseph's	5,141	-	5,141
St. Teresa's	7,312	-	7,312
Kawartha Heights	6,015	-	6,015
Millbrook	48,240	-	48,240
Roger Neilson	5,141	-	5,141
St. Martin's	9,355	-	9,355
Licensed Home Child Care - Home Visitors	11,189	-	11,189
Licensed Home Child Care - Providers	137,180	(4,320)	132,860
City of Peterborough - all sites	\$ 387,836	\$ (4,320)	\$ 383,516

13. Comparative Amounts

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

**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 2018
	Centre Based	Home Care					
Revenue							
Parent fees	\$ 2,697,437	\$ 291,320	\$ 2,246,046	\$ 2,453,585	\$ -	\$ -	\$ 7,688,388
Government grants	1,569,567	826,905	2,489,917	699,637	55,080	27,604	5,668,710
Wage enhancement grant	250,656	132,860	297,656	176,328	-	-	857,500
DNFRP	387,009	-	225,250	28,350	-	-	640,609
Other income / management fee	12,782	7,405	1,799	3,779	13,795	22,961	62,521
Amortization of deferred contributions	-	-	-	-	-	43,267	43,267
Professional development	-	-	-	-	13,625	268,250	281,875
	4,917,451	1,258,490	5,260,668	3,361,679	82,500	362,082	15,242,870
Expenses							
Amortization	-	-	-	-	-	89,240	89,240
Bad debts	28,047	5,947	18,960	8,567	-	35,341	96,862
Bank and processing charges	76,587	8,338	60,644	66,023	-	5,304	216,896
Food	157,590	-	146,275	122,970	-	197	427,032
Insurance	14,522	-	20,977	6,174	-	3,315	44,988
Minor equipment and improvements	9,714	-	12,572	3,105	-	412	25,803
Miscellaneous and management fees	7,800	120	2,831	1,171	5,400	65,020	82,342
Office expenses	45,264	2,039	51,835	30,239	588	56,418	186,383
Other initiatives	113,084	232,468	128,660	-	-	-	474,212
Professional development	18,872	427	149	-	1,775	188,262	209,485
Professional fees	-	-	424	-	-	23,289	23,713
Program	13,388	5	8,860	14,657	-	-	36,910
Provider fees	-	629,800	284,794	-	-	-	914,594
Rent and maintenance	119,044	2,722	76,129	85,485	-	46,693	330,073
Salaries and benefits	3,644,211	138,861	3,420,740	2,279,990	57,487	836,276	10,377,565
Salaries and benefits - wage enhancement	250,656	132,860	297,656	176,328	-	-	857,500
Telephone	20,754	1,395	21,907	10,003	-	12,855	66,914
Toys	34,194	11,788	29,382	11,473	-	-	86,837
Travel and education	1,964	2,668	8,068	8,233	17,250	18,498	56,681
Utilities	16,193	-	66,941	21,900	-	-	105,034
Waterworks	13,977	-	192	-	-	-	14,169
	4,585,861	1,169,438	4,657,996	2,846,318	82,500	1,381,120	14,723,233
Admin and program support allocation	(294,448)	(68,688)	(395,693)	(260,209)	-	1,019,038	-
Excess of revenue over expense	\$ 37,142	\$ 20,364	\$ 206,979	\$ 255,152	\$ -	\$ -	\$ 519,637