

Compass Early Learning and Care
Financial Statements
For the year ended December 31, 2019

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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, 2019, 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, 2019, 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants
Peterborough, Ontario
March 31, 2020

Compass Early Learning and Care Statement of Financial Position

December 31 2019 2018

Assets

Current

Cash and bank (Note 2)	\$ 1,145,912	\$ 1,308,686
Short-term investments (Note 3)	1,500,865	434,316
Accounts receivable	816,013	570,080
Prepaid expenses	120,573	43,397
Due from government agencies	745,375	173,723

4,328,738 2,530,202

Long-term investments (Note 3)

397,705 437,705

Capital assets (Note 4)

944,956 391,382

\$ 5,671,399 \$ 3,359,289

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 5)	\$ 1,352,392	\$ 723,476
Deferred revenue	811,830	277,360
Parent fee deposits	412,756	361,092

2,576,978 1,361,928

Deferred contributions
related to capital assets (Note 6)

754,451 192,680

3,331,429 1,554,608

Commitments (Note 7)

Net Assets

Net assets invested in capital assets	190,506	198,703
Internally restricted reserves (Note 8)	2,149,464	1,605,978

2,339,970 1,804,681

\$ 5,671,399 \$ 3,359,289

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 2019	Total 2018
Balance, beginning of year	\$ 198,703	\$1,605,978	\$ -	\$1,804,681	\$ 1,283,137
Excess (deficiency) of revenue over expenses	(44,422)	-	579,711	535,289	521,544
Net investment in capital assets	656,023	-	(656,023)	-	-
Funding received in the year related to capital assets	(619,798)	-	619,798	-	-
Internal transfers (Note 8)	-	543,486	(543,486)	-	-
Balance, end of year	\$ 190,506	\$2,149,464	\$ -	\$2,339,970	\$ 1,804,681

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	2019	2018
Revenue		
Parent fees	\$ 9,068,787	\$ 7,688,388
Government grants and subsidies (Note 9)	6,397,083	5,668,710
Wage enhancement (Note 10)	1,170,684	859,408
DNRFP	765,016	640,609
Other income and management fees	87,983	62,521
Professional development	145,075	281,875
Amortization of deferred contributions (Note 6)	58,027	43,267
	17,692,655	15,244,778
Expenses		
Amortization	102,449	89,240
Bad debts expense (recovery)	-	96,862
Bank and processing charges	272,719	216,896
Food	510,617	427,032
Insurance	51,173	44,988
Minor equipment and leasehold improvements	14,552	25,803
Miscellaneous and management fees	23,283	82,342
Office expenses	217,013	186,383
Other initiatives	189,368	474,212
Professional development	158,772	209,485
Professional fees	24,538	23,713
Program	101,961	36,910
Provider fees	1,019,196	914,594
Rent and maintenance	547,796	330,073
Salaries and benefits	12,364,228	10,375,658
Salaries and benefits - wage enhancement (Note 10)	1,170,684	859,408
Telephone	77,782	66,914
Toys	89,944	86,837
Travel and education	101,124	56,681
Utilities	108,613	105,034
Waterworks	11,554	14,169
	17,157,366	14,723,234
Excess of revenue over expenses for the year	\$ 535,289	\$ 521,544

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	2019	2018
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	\$ 535,289	\$ 521,544
Items not involving cash		
Amortization of capital assets	102,449	89,240
Amortization of deferred contributions (Note 6)	(58,027)	(43,267)
	579,711	567,517
Changes in non-cash working capital balances		
Accounts receivable	(245,933)	98,745
Deferred revenue	534,470	(25,043)
Prepaid expenses	(77,176)	36,557
Due from government agencies	(571,652)	125,239
Accounts payable and accrued liabilities	628,916	114,904
Parent fee deposits	51,664	32,484
	900,000	950,403
Investing activities		
Purchases of capital assets	(656,023)	(85,427)
Net change in investments	(1,026,549)	(311,114)
	(1,682,572)	(396,541)
Financing activities		
Capital contributions	619,798	41,603
Increase in cash during the year	(162,774)	595,465
Cash and bank, beginning of year	1,308,686	713,221
Cash and bank, end of year	\$ 1,145,912	\$ 1,308,686

The accompanying notes are an integral part of these financial statements

Compass Early Learning and Care Notes to Financial Statements

December 31, 2019

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, 2019

1. Significant Accounting Policies (continued)

g) Financial Instruments

Financial Instruments are recorded at fair value at initial recognition.

In subsequent periods, financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

2. Cash and Bank

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

3. Investments

Investments are comprised of the following:

	<u>2019</u>	<u>2018</u>
Short-term investments:		
Cash held with investment company	\$ 1	\$ 2,370
Guaranteed Investment Certificates (GICs)	90,000	350,000
Money market funds	1,410,864	81,946
	<u>1,500,865</u>	<u>434,316</u>
Long-term investments:		
Guaranteed Investment Certificates (GICs)	397,705	437,705
	<u>\$ 1,898,570</u>	<u>\$ 872,021</u>

The balances held in investments are held with one investment company. The guaranteed investment certificates bear stated fixed interest rates ranging from 1.40% to 3.11% which is paid annually, and have maturity dates ranging from November 2020 to November 2022.

Compass Early Learning and Care Notes to Financial Statements

December 31, 2019

4. Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 146,360	\$ 118,799	\$ 136,782	\$ 106,189
Other equipment	629,154	399,747	547,577	352,592
Leasehold improvements	846,414	597,999	721,119	555,315
Construction in progress	439,573	-	-	-
	<u>\$ 2,061,501</u>	<u>\$ 1,116,545</u>	<u>\$ 1,405,478</u>	<u>\$ 1,014,096</u>
Net book value		<u>\$ 944,956</u>		<u>\$ 391,382</u>

During the year, the Organization started construction on a new child care centre as described in Note 7. The cost to date is included in construction in progress and no amortization has been recorded since the renovations were not complete at year end. At year end, there were grant receivables of \$439,573 related to this project that were included in due from government agencies and deferred contributions related to capital assets.

5. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$39,908 (2018 - \$19,575).

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:

	2019	2018
Balance, beginning of year	\$ 192,680	\$ 194,344
Capital contributions	619,798	41,603
Revenue recognized in the year related to capital assets	(58,027)	(43,267)
Balance, end of year	<u>\$ 754,451</u>	<u>\$ 192,680</u>

Compass Early Learning and Care Notes to Financial Statements

December 31, 2019

7. Commitments

The Organization has entered into various leases for premises and office equipment. At December 31, 2019 the committed payments for the next two years on the premises and office equipment are as follows:

	2020		\$	34,996	
	2021			521	
				<u>521</u>	
			\$	<u>35,517</u>	

During the year, the Organization started construction on a new child care centre in partnership with Peterborough Housing Corporation. The total cost of leasehold improvements, which are currently under construction by Peterborough Housing Corporation, is expected to be approximately \$1,270,000. Of this, \$494,000 in costs were incurred prior to year end with the remaining \$776,000 to be incurred in 2020. The Organization will receive capital grant funding of \$1,150,000 from the City of Peterborough in relation to this project. The Organization plans to occupy the premises, which will be owned by Peterborough Housing Corporation, in 2020.

8. Internally Restricted Reserves

The board has established 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	2019 Total	2018 Total
Beginning balance	\$	250,000	\$ 350,000	\$ 1,005,978	\$ 1,605,978	\$ 1,082,285
Transfers		-	-	543,486	543,486	523,693
Ending balance	\$	<u>250,000</u>	<u>\$ 350,000</u>	<u>\$ 1,549,464</u>	<u>\$ 2,149,464</u>	<u>\$ 1,605,978</u>

Compass Early Learning and Care Notes to Financial Statements

December 31, 2019

9. Government Grants and Subsidies

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.

	2019	2018
City of Peterborough		
Childcare subsidy	\$ 1,178,628	\$ 1,134,454
General operating grants	789,187	746,624
Affordable for All grants	-	164,706
Licensed Home Child Care base funding	237,503	174,271
Fee stabilization	18,562	85,897
Pay equity	25,288	25,288
Other grants	92,423	33,677
	2,341,591	2,364,917
City of Kawartha Lakes		
Childcare subsidy	973,692	1,074,259
General operating grants	1,421,256	1,367,858
Fee stabilization	13,138	36,890
Other grants	-	16,609
	2,408,086	2,495,616
Durham Region		
Childcare subsidy	413,283	352,933
General operating grants	612,360	318,114
Pay equity	11,253	11,253
Other grants	6,443	10,048
	1,043,339	692,348
Northumberland County		
Childcare subsidy	176,873	-
General operating grants	267,650	-
Fee stabilization	4,561	-
Pay equity	29,007	-
Other grants	23,368	-
	501,459	-
Various other grants and subsidies	102,608	60,749
Five Counties Children's Centre	-	55,080
	102,608	115,829
	\$ 6,397,083	\$ 5,668,710

Compass Early Learning and Care Notes to Financial Statements

December 31, 2019

10. 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 and Home Child Care Enhancement funds to eligible employees and home child care providers, as follows:

	2019		
	Funding Received	Unspent Funds Repayable	Disbursed Funds
City of Peterborough - base	\$ 455,590	\$ (15,412)	\$ 440,178
City of Peterborough - top-up	93,093	-	93,093
City of Kawartha Lakes	370,139	(21,137)	349,002
Durham Region	225,517	(10,796)	214,721
Northumberland County	73,690	-	73,690
	\$ 1,218,029	\$ (47,345)	\$ 1,170,684
	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	(1,796)	178,236
	\$ 875,808	\$ (16,400)	\$ 859,408

Compass Early Learning and Care Notes to Financial Statements

December 31, 2019

10. 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:

	2019		
	Funding Received	Unspent Funds Repayable	Disbursed Funds
Peterborough	\$ 69,278	\$ -	\$ 69,278
Apsley	18,109	-	18,109
Shamrock	34,110	-	34,110
Queen Mary	6,191	-	6,191
R.F. Downey	10,082	-	10,082
North Cavan	5,699	-	5,699
Prince of Wales	16,748	-	16,748
Queen Elizabeth	4,749	-	4,749
St. Anne's	13,710	-	13,710
St. Joseph's	6,799	-	6,799
St. Teresa's	9,997	-	9,997
Kawartha Heights	8,454	-	8,454
Millbrook	69,865	-	69,865
Roger Neilson	5,724	-	5,724
St. Martin's	15,358	-	15,358
Warsaw	3,324	-	3,324
Licensed Home Child Care - Home Visitors	14,983	(3,322)	11,661
Licensed Home Child Care - Providers	142,410	(12,090)	130,320
	<u>\$ 455,590</u>	<u>\$ (15,412)</u>	<u>\$ 440,178</u>

11. Economic Dependence

The Organization receives a significant amount of support from the City of Peterborough, Durham Region, the City of Kawartha Lakes and Northumberland County 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 9 and 10.

Compass Early Learning and Care Notes to Financial Statements

December 31, 2019

12. 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.

There have not been any changes in the risk from the prior year.

13. Subsequent Events

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus, the "COVID-19 outbreak". In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve throughout the world including Canada. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the impact on the Organization will not be known with certainty for months to come.

Although the Organization cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Organization's results of future operations, financial position, and liquidity in fiscal year 2020.

14. 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	Northumberland County	Admin and Total Support	2019
	Centre Based	Home Care					
Revenue							
Parent fees	\$ 2,943,642	\$ 380,734	\$ 2,586,887	\$ 2,602,927	\$ 554,597	\$ -	\$ 9,068,787
Government grants and subsidies	1,585,691	743,368	2,468,107	1,060,982	502,236	36,699	6,397,083
Wage enhancement	402,951	130,320	349,002	214,720	73,691	-	1,170,684
DNFRP	505,586	-	207,629	33,460	18,341	-	765,016
Other income and management fees	5,056	6,497	22,478	2,189	155	51,608	87,983
Professional development	-	-	82	-	-	144,993	145,075
Amortization of deferred contributions	-	-	-	-	-	58,027	58,027
	5,442,926	1,260,919	5,634,185	3,914,278	1,149,020	291,327	17,692,655
Expenses							
Amortization	-	-	-	-	-	102,449	102,449
Bad debts expense (recovery)	1,770	257	4,521	536	-	(7,084)	-
Bank and processing charges	86,288	8,760	72,963	69,854	16,045	18,809	272,719
Food	193,827	-	154,242	125,042	37,480	26	510,617
Insurance	13,992	-	24,411	7,010	2,022	3,738	51,173
Minor equipment and improvements	4,927	(39)	4,169	956	1,202	3,337	14,552
Miscellaneous and management fees	14,199	(240)	1,741	1,288	230	6,065	23,283
Office expenses	50,384	4,123	57,704	41,029	6,342	57,431	217,013
Other initiatives	-	120,081	57,803	11,484	-	-	189,368
Professional development	237	-	650	311	-	157,574	158,772
Professional fees	-	-	-	-	-	24,538	24,538
Program	32,089	5,926	35,627	27,112	1,015	192	101,961
Provider fees	-	647,701	368,378	3,117	-	-	1,019,196
Rent and maintenance	180,868	6,594	98,565	115,387	87,782	58,600	547,796
Salaries and benefits	4,292,600	152,139	3,692,528	2,562,297	840,414	824,250	12,364,228
Salaries and benefits - wage enhancement	402,951	130,320	349,002	214,721	73,690	-	1,170,684
Telephone	22,247	2,139	25,145	13,024	3,329	11,898	77,782
Toys	29,654	4,678	22,767	29,779	2,352	714	89,944
Travel and education	9,963	4,297	16,444	16,980	2,184	51,256	101,124
Utilities	16,180	-	70,778	21,655	-	-	108,613
Waterworks	2,932	-	-	-	8,622	-	11,554
	5,355,108	1,086,736	5,057,438	3,261,582	1,082,709	1,313,793	17,157,366
Admin and program support allocation	(203,875)	(39,525)	(423,949)	(304,666)	(50,451)	1,022,466	-
Excess of revenue over expense	\$ (116,057)	\$ 134,658	\$ 152,798	\$ 348,030	\$ 15,860	\$ -	\$ 535,289