
**ASCOT AVENUE COMMUNITY
DAYCARE**

FINANCIAL STATEMENTS

DECEMBER 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of Ascot Avenue Community Daycare,

Opinion

We have audited the financial statements of Ascot Avenue Community Daycare (the organization), which comprise the statement of financial position as at December 31, 2019, and the statements of operations and 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 Ascot Avenue Community Daycare as at December 31, 2019 and the results of its 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 opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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 your 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.

Pemylegion Chung LLP

Chartered Professional Accountants
Licensed Public Accountants

August 4, 2020
Toronto, Ontario

ASCOT AVENUE COMMUNITY DAYCARE

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

	2019	2018
ASSETS		
Current assets		
Cash	\$ 554,164	\$ 375,310
Parent fees receivable	29,721	21,983
Amounts receivable from Toronto Children's Services	3,047	14,275
Prepaid expenses	<u>8,224</u>	<u>9,078</u>
	595,156	420,646
Capital assets (note 3)	<u>80,000</u>	<u>120,000</u>
	<u>\$ 675,156</u>	<u>\$ 540,646</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 34,865	\$ 51,731
Parent fee deposits	15,500	14,576
Deferred Toronto Children's Services funding (note 4)	<u>146,961</u>	<u>102,589</u>
	197,326	168,896
Deferred capital grant	<u>20,000</u>	<u>30,000</u>
	<u>217,326</u>	<u>198,896</u>
Net assets		
Unrestricted	<u>457,830</u>	<u>341,750</u>
	<u>\$ 675,156</u>	<u>\$ 540,646</u>

Approved on behalf of the Board:

_____, Director

_____, Director

see accompanying notes

ASCOT AVENUE COMMUNITY DAYCARE

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2019

			2019	2018
	Ascot Site	Ascot-Oakwood Site	Total	Total
REVENUE				
Parent fees	\$ 881,151	\$ 416,252	\$ 1,297,403	\$ 1,092,204
Toronto Children's Services funding (note 5)	<u>200,648</u>	<u>405,168</u>	<u>605,816</u>	<u>624,941</u>
	<u>1,081,799</u>	<u>821,420</u>	<u>1,903,219</u>	<u>1,717,145</u>
EXPENSES				
Personnel (notes 5 and 6)	777,718	709,275	1,486,993	1,328,551
Catered food	4,711	29,274	33,985	30,742
Food prepared on premises	27,589	3,632	31,221	50,133
Program supplies and equipment	36,532	23,203	59,735	48,926
Professional fees	34,357	5,819	40,176	35,925
Office and general	21,907	6,628	28,535	20,895
Trips	12,586	4,504	17,090	25,457
Rent	12,935	-	12,935	6,482
Insurance	9,078	2,171	11,249	13,991
Professional development	7,575	2,385	9,960	6,964
Housekeeping and repairs	4,284	2,715	6,999	8,683
Parent fees written off	7,050	1,211	8,261	13,640
Amortization	<u>-</u>	<u>40,000</u>	<u>40,000</u>	<u>41,298</u>
	<u>956,322</u>	<u>830,817</u>	<u>1,787,139</u>	<u>1,631,687</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	<u>\$ 125,477</u>	<u>\$ (9,397)</u>	116,080	85,458
Net assets, beginning of year			<u>341,750</u>	<u>256,292</u>
NET ASSETS, END OF YEAR			<u>\$ 457,830</u>	<u>\$ 341,750</u>

see accompanying notes

ASCOT AVENUE COMMUNITY DAYCARE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	\$ 116,080	\$ 85,458
Adjustments for items not involving cash		
Capital grant recognized	(10,000)	(10,000)
Amortization	40,000	41,298
Net change in non-cash working capital items (see below)	<u>32,774</u>	<u>83,680</u>
NET INCREASE IN CASH FOR THE YEAR	178,854	200,436
Cash, beginning of year	<u>375,310</u>	<u>174,874</u>
CASH, END OF YEAR	<u>\$ 554,164</u>	<u>\$ 375,310</u>

Net change in non-cash working capital items:

Decrease (increase) in current assets-		
Parent fees receivable	\$ (11,229)	\$ (3,094)
Amounts receivable from Toronto Children's Services	(7,738)	4,341
Prepaid expenses	854	3,645
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	(16,867)	26,992
Parent fee deposits	924	3,976
Deferred Toronto Children's Services funding	<u>44,372</u>	<u>47,820</u>
	<u>\$ 32,774</u>	<u>\$ 83,680</u>

see accompanying notes

ASCOT AVENUE COMMUNITY DAYCARE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

Ascot Avenue Community Daycare (the organization) is incorporated in the Province of Ontario without share capital. The organization is exempt from income tax in Canada as a not-for-profit organization under Section 149(1)(L) of the Income Tax Act (Canada).

The Ascot Site provides comprehensive child care programs for children from the ages of 4 to 10 years. The Ascot-Oakwood Site, opened on March 13, 2017, provides comprehensive child care programs for children from the age of birth to 4 years.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant:

Capital assets

Capital assets are recorded at cost. Amortization is provided annually at rates calculated to expense the assets over their estimated useful lives as follows:

Leasehold improvements - straight-line basis over 5 years

Revenue recognition

The principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

- i) Child care fees consist of direct payments from parents and fees subsidized by Toronto Children's Services (TCS). Fee revenue is recognized in the period the child care services are provided.
- ii) The organization follows the deferral method of revenue recognition for TCS funding. TCS funding related to current expenses is recognized as revenue in the current year. TCS funding received in the year for expenses to be incurred in the following year is recorded as deferred TCS funding. TCS capital funding is recorded as revenue in the same period, and on the same basis, as the related capital assets are amortized.
- iii) Fundraising and donation revenue is recorded when funds are received. Donated materials and services which are normally purchased by the organization are not recorded in the accounts.

2. FINANCIAL INSTRUMENTS

The organization records financial instruments, which include cash, parent fees receivable, amounts receivable from TCS and accounts payable and accrued liabilities, initially at fair value and subsequently net of any provisions for impairment in value.

3. CAPITAL ASSETS

Capital assets consist of the following:

	Cost	Accumulated Amortization	2019 Net	2018 Net
Leasehold improvements	<u>\$ 200,000</u>	<u>\$ (120,000)</u>	<u>\$ 80,000</u>	<u>\$ 120,000</u>

ASCOT AVENUE COMMUNITY DAYCARE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

4. DEFERRED TORONTO CHILDREN'S SERVICES FUNDING

Deferred TCS funding is composed of the following:

	2019	2018
One-time stability grant	\$ 146,961	\$ -
General operating funding	-	85,963
Fee stabilization funding	-	12,824
Provincial wage enhancement	-	3,802
	<u>\$ 146,961</u>	<u>\$ 102,589</u>

Continuity of deferred TCS funding for the year is as follows:

	2019	2018
Deferred TCS funding, beginning of year	\$ 102,589	\$ 54,769
Add cash received from TCS funding, excluding capital grant	640,188	662,761
Less TCS funding recognized, excluding capital grant (note 5)	<u>(595,816)</u>	<u>(614,941)</u>
Deferred TCS funding, end of year	<u>\$ 146,961</u>	<u>\$ 102,589</u>

5. TORONTO CHILDREN'S SERVICES FUNDING

TCS funding recognized in the year was as follows

	Ascot Site	Ascot-Oakwood Site	2019 Total	2018 Total
Fee subsidy	\$ 137,009	\$ 182,717	\$ 319,726	\$ 326,756
General operating funding	19,679	178,863	198,542	152,084
Provincial wage enhancement	43,960	33,588	77,548	75,350
One-time stability grant	-	-	-	42,217
Fee stabilization funding	-	-	-	18,534
Capital grant recognized	-	10,000	10,000	10,000
	<u>\$ 200,648</u>	<u>\$ 405,168</u>	<u>\$ 605,816</u>	<u>\$ 624,941</u>

Included in general operating funding for the Ascot Site is 1995-2005 pay equity of \$6,392, which was paid to staff in the year (\$6,392 in 2018).

Included in personnel expenses is \$77,548 funded by the provincial wage enhancement grant (\$75,350 in 2018).

ASCOT AVENUE COMMUNITY DAYCARE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

6. PERSONNEL EXPENSES

Included in personnel expenses are the following:

	Ascot Site	Ascot-Oakwood Site	2019 Total	2018 Total
Full-time staff	\$ 613,392	\$ 571,759	\$ 1,185,151	\$ 1,115,849
Contracted supply	69,468	74,266	143,734	65,753
Employee benefits	73,590	58,180	131,770	127,966
Contracted administration	21,268	5,070	26,338	17,308
Casual supply staff	-	-	-	1,675
	<u>\$ 777,718</u>	<u>\$ 709,275</u>	<u>\$ 1,486,993</u>	<u>\$ 1,328,551</u>

7. LEASE COMMITMENT

The organization leases its space from the Toronto District School Board (the TDSB) under a lease renegotiated on an annual basis. Rent is paid in full by TCS under a city-wide rental agreement with the TDSB.

8. COMPARATIVE AMOUNTS

Certain amounts in the statement of operations for the year ended December 31, 2018 have been reclassified to conform with the current year's basis of financial statement presentation.

9. SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. This presents uncertainty regarding the organization's future cash flows. The impact of social distancing may significantly impact the organization's future operations. On March 13, 2020, the Government of Ontario ordered all licensed child care centres to close and the organization has not resumed operations at this time. An estimate of the financial impact of the pandemic on these financial statements is not practicable and therefore no adjustments related thereto have been made.