RisingOaks Early Learning Ontario
Financial Statements
For the Year Ended December 31, 2021

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Contents

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Independent Auditor's Report

To the Board of Directors of
RisingOaks Early Learning Ontario

Opinion

We have audited the accompanying financial statements of RisingOaks Early Learning Ontario ("The Organization"), which comprise the statement of financial position as at December 31, 2021, 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, 2021, 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 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Ontario
March 14, 2022

RisingOaks Early Learning Ontario
Statement of Financial Position

December 31	2021	2020
Assets		
Current		
Cash (Note 2)	$ 3,571,015	$ 2,655,475
Short-term investments (Note 3)	709,290	676,448
Accounts receivable (Note 4)	240,097	214,546
Prepaid expenses	47,920	29,272
	4,568,322	3,575,741
Tangible capital assets (Note 5)	745,927	502,763
	$ 5,314,249	$ 4,078,504
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 6)	$ 778,385	$ 780,762
Customer deposits	314,505	258,661
Deferred revenue	10,609	15,330
Current portion of deferred capital contributions (Note 7)	100,741	90,339
	1,204,240	1,145,092
Deferred capital contributions (Note 7)	125,575	169,475
	1,329,815	1,314,567
Net Assets		
Invested in tangible capital assets	519,611	227,619
Internally restricted for playground improvements (Note 8)	650,000	490,000
Internally restricted for renovation/capital (Note 8)	450,000	250,000
Internally restricted for risk management (Note 8)	600,000	500,000
Internally restricted for flex care spaces (Note 8)	115,556	115,556
Internally restricted for pandemic recovery (Note 8)	1,617,000	1,000,000
Unrestricted	32,267	180,762
	3,984,434	2,763,937
	$ 5,314,249	$ 4,078,504

On behalf of the Board:

______________________ Chair
Karen McIlroy

______________________ Treasurer
Julia Bloom

The accompanying notes are an integral part of these financial statements.

RisingOaks Early Learning Ontario
Statement of Changes in Net Assets

For the year ended December 31	Invested in tangible capital assets	Internally Restricted for Playground Improvements	Internally Restricted for Renovation/ Capital	Internally Restricted for Risk Management	Internally Restricted for Flex Care Spaces	Internally Restricted for Pandemic Recovery	Unrestricted	2021 Total	2020 Total
Balance, beginning of the year	$ 227,619	$ 490,000	$ 250,000	$ 500,000	$ 115,556	$ 1,000,000	$ 180,762	$2,763,937	$ 1,759,055
Excess (deficiency) of revenues over expenses	(72,692)	-	-	-	-	-	1,293,189	1,220,497	1,004,882
Invested in tangible capital assets	420,451	(320,000)	-	-	-	-	(100,451)	-	-
Deferred capital contributions received	(55,767)	-	-	-	-	-	55,767	-	-
Transfers (Note 9)	-	480,000	200,000	100,000	-	617,000	(1,397,000)	-	-
Balance, end of the year	$ 519,611	$ 650,000	$ 450,000	$ 600,000	$ 115,556	$ 1,617,000	$ 32,267	$3,984,434	$ 2,763,937

The accompanying notes are an integral part of these financial statements.

RisingOaks Early Learning Ontario
Statement of Operations

For the year ended December 31	2021	2020
Revenue		
Child care services	$ 7,097,527	$ 4,095,852
Provincial Child Care Wage Enhancement Grant	453,054	224,400
Grants (Note 10)	3,146,584	2,246,741
Purchase of service wage reimbursement	48,494	9,493
Interest income	17,163	24,862
Fundraising	2,388	1,458
Amortization of deferred capital contributions (Note 7)	104,595	90,715
	10,869,805	6,693,521
Expenses		
Advertising and promotion	76,133	92,658
Amortization of tangible capital assets	177,287	150,698
Bad debts (recovery)	(1,432)	2,518
Computer services	56,816	52,570
Equipment leasing	8,969	8,517
Fees and dues	33,969	31,670
Food	314,525	188,810
Insurance	42,629	36,395
Interest and bank charges	17,638	18,301
Office and miscellaneous	27,515	36,564
Personal protective equipment	53,330	59,463
Professional fees	92,287	49,555
Program supplies	181,792	92,384
Program transportation and admission	32,892	8,417
Provincial child care wage enhancement	453,054	224,400
Rental	780,879	402,250
Repairs and maintenance	158,503	76,816
Security system	559	768
Staff development	74,693	30,480
Telephone	30,217	24,060
Utilities	18,689	14,395
Wages and benefits	7,911,679	7,323,040
	10,542,623	8,924,729
Excess (deficiency) of revenues over expenses before other items	327,182	(2,231,208)
Other items		
Insurance recovery - Covid-19 claim	-	50,000
Canada emergency rent subsidy	74,416	-
Canada emergency wage subsidy	818,899	3,186,090
	$ 893,315	$ 3,236,090
Excess of revenues over expenses	$ 1,220,497	$ 1,004,882

The accompanying notes are an integral part of these financial statements.

RisingOaks Early Learning Ontario
Statement of Cash Flows

For the year ended December 31	2021	2020
Cash flows from operating activities		
Excess of revenues over expenses	$ 1,220,497	$ 1,004,882
Items not affecting cash:		
Amortization of tangible capital assets	177,287	150,698
Amortization of deferred capital contributions	(104,595)	(90,715)
	1,293,189	1,064,865
Changes in non-cash working capital:		
Accounts receivable	(25,551)	(103,216)
Prepaid expenses	(18,648)	(1,983)
Accounts payable and accrued liabilities	(2,377)	(122,956)
Customer deposits	55,844	(95,565)
Deferred revenue	(4,721)	15,330
	1,297,736	756,475
Cash flows from investing activities		
Purchase of tangible capital assets	(420,451)	(78,543)
Proceeds on disposal of short-term investments	672,158	540,685
Purchase of short-term investments	(705,000)	(60,000)
	(453,293)	402,142
Cash flows from financing activities		
Deferred capital contributions	71,097	11,538
Net increase in cash	915,540	1,170,155
Cash, beginning of the year	2,655,475	1,485,320
Cash, end of the year	$ 3,571,015	$ 2,655,475

The accompanying notes are an integral part of these financial statements.

1. Summary of Significant Accounting Policies

Nature and Purpose of Organization

RisingOaks Early Learning Ontario ("the organization"), provides members and families with quality, supervised child care services at various locations in Kitchener, Waterloo and Cambridge, Ontario.

The organization is a not-for-profit organization incorporated under the Canada Not-for-profit Corporations Act, and is a registered charitable organization. Consequently, it is exempt from income tax.

Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations ("ASNPO")

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.

Child care services revenue is recognized as earned on a monthly basis when the amount can be measured and collection is reasonably assured. Fees collected in advance are recorded as deferred revenue until the child care service is provided.

Investment income is recognized as earned throughout the year.

Customer deposits are collected when a child is registered and recorded as deferred revenue. They are refunded or applied to revenue in the child's last month of care.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

1. Summary of Significant Accounting Policies (continued)

Tangible Capital Assets	Purchased tangible capital assets are stated at cost less accumulated amortization. Contributed tangible capital assets are recorded at fair value at the date of contribution unless fair value is not determinable in which case contributed tangible capital assets are recorded at nominal value at the date of contribution. Expenditures for repairs and maintenance are expensed as incurred. Betterments that extend the useful life of the tangible capital asset are capitalized.
	Amortization based on the estimated useful life of the asset is calculated as follows:

Computer equipment	3 years straight-line basis
Furniture and fixtures	5 years straight-line basis
Leasehold improvements	10 years straight-line basis or life of lease

	When a tangible capital asset no longer contributes to an organization’s ability to provide goods and services, or the future economic benefits or service potential of the tangible capital asset is less than its carrying value, the excess of its net carrying amount over its fair value or replacement cost is recognized as an expense in the statement of operations. Any unamortized deferred contribution amount related to the tangible capital asset is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.
Contributed Services	Volunteers contribute many hours per year to assist the organization in carrying out its activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.
Use of Estimates	The preparation of financial statements in accordance with ASNPO 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. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant estimates were used in the valuation of the estimated useful lives of tangible capital assets.

2. Cash

The organization's bank accounts are held at two chartered banks earning nominal interest.

The organization's board of directors has set the corporate credit limit at $85,000, split between two corporate credit card facilities. BMO Corporate MasterCard facility is authorized to a maximum of $35,000. VISA Business Card facility with RBC Royal Bank is authorized to a maximum of $50,000 and is secured by a guaranteed investment certificate held by RBC in the amount of $60,000. At year end, the unutilized portion was $25,000 on the BMO Corporate MasterCard facility and $25,800 on the VISA Business Card facility.

3. Short-term Investments

The organization has cashable guaranteed investment certificates earning interest between 0.15% and 1.34%, maturing between February 2022 and June 2024.

4. Accounts Receivable

	2021	2020
Accounts receivable	$ 27,605	$ 38,462
HST recoverable	203,742	43,092
Government subsidies receivable	8,750	132,992
	$ 240,097	$ 214,546

5. Tangible Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	$ 44,447	$ 44,447	$ 44,447	$ 39,243
Furniture and fixtures	1,535,894	823,813	1,138,927	684,889
Leasehold improvements	175,473	141,627	175,473	131,952
	1,755,814	1,009,887	1,358,847	856,084
		$ 745,927		$ 502,763

6. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of $126,325 (2020 - $160,041).

7. Deferred Capital Contributions

	2021	2020
Beginning balance	$ 259,814	$ 338,991
Add: unrestricted contributions related to tangible capital asset purchases	71,097	11,538
Less: amounts amortized to revenue	(104,595)	(90,715)
	226,316	259,814
Less: current portion	100,741	90,339
	$ 125,575	$ 169,475

8. Internally Restricted Net Assets

The Playground Improvements Fund was established to dedicate funds for playground improvements at existing centres.

The Renovation/Capital Fund was established to meet future technology, capital or renovation needs, including startup costs for a new centre, replacement of a playground, planned major repairs and renovations, or major computer and software upgrades.

The Risk Management Reserve Fund was established to mitigate the risk of a short-term loss of revenue or significant unanticipated expenditures.

The Flex Care Spaces Fund was established to meet the needs of the community and continue to offer flexible child care on a varying schedule to eligible families.

The Pandemic Recovery Fund was established in 2020 to meet the ongoing needs and response in relation to the COVID-19 pandemic.

These internally restricted amounts are not available for other purposes without approval of the Board of Directors.

9. Interfund Transfers

During the year, the organization's Board of Directors approved a $717,000 transfer from the unrestricted fund to the pandemic recovery fund to meet future ongoing needs in relation to the COVID-19 pandemic, a $380,000 transfer from the unrestricted fund to the playground improvements fund to fund future playground expansions and improvements, a $200,000 transfer from the unrestricted fund to the to the renovation/capital fund to meet future capital needs and $100,000 from the unrestricted fund to the risk management fund to mitigate future risk of short-term loss of revenue or unanticipated future expenses.

10. Grants

	2021	2020
Region of Waterloo base operating grant	$ 1,164,129	$ 1,041,057
Region of Waterloo pay equity funding	60,152	60,152
Region of Waterloo one-time funding	108,559	234,074
Region of Waterloo COVID-19 sustainability funding	-	400,383
Region of Waterloo COVID-19 safe restart funding	747,250	511,075
Region of Waterloo stabilization funding	1,013,200	-
Ontario Trillium Foundation	53,294	-
	$ 3,146,584	$ 2,246,741

During the year, the organization received $135,000 from the Ontario Trillium Foundation. $71,097 was recorded to deferred capital contributions (Note 7), $53,294 recognized as grant revenue and $10,609 as deferred revenue.

11. Commitments

The organization leases certain equipment and operating premises.The minimum annual lease payments over the next five years are as follows:

2022	$ 429,586
2023	103,353
2024	106,667
2025	90,576
2026	24,329
	$ 754,511

12. Financial Instrument Risks

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 customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; 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 its cash, short-term investments and accounts receivable. The organization has deposited the cash and short-term investments with reputable financial institutions, with whom management believes the risk of loss to be remote. The credit risk on accounts receivable relates to child care fees from government funders. The organization is exposed to concentration of credit risk in its accounts receivable as one government funder represents 89% of its trade accounts receivable.

In addition, the effect of COVID 19 on the organization's customers may result in an increased default on their amounts owing to the organization, this may result in increased bad debt expense if customers cannot pay the organization. The extent of the future impact on the credit risk and the corresponding effect on the organizations’s accounts receivable is unknown.

Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and its commitments. This risk remains unchanged from prior year.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The organization is mainly exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed-interest instruments such as short-term investments subject the organization to a fair value risk. The organization’s primary objective is to ensure the security of principal amounts invested and provide for a high degree of liquidity, while achieving a satisfactory return.

12. Financial Instrument Risks (continued)

In addition, the effect of COVID 19 on the Canadian economy may result in changes in prevailing market interest rates. These changes will affect the amount of interest that the organization can earn on future short-term investments. The extent of the future impact on the market rates of interest and the corresponding effect on the organization's future short-term investments purchased are unknown.

13. Comparative Amounts

The comparative amounts presented in the financial statements have been reclassified to conform to the current year's presentation.

14. Uncertainty Due to COVID-19

The impact of COVID-19 in Canada and on the global economy increased significantly over the past few years. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the company's financial condition, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, industry, and workforce. Given the ongoing evolution of the COVID-19 outbreak and the provincial/federal responses to curb its spread, the organization is not able to estimate the effects of the COVID-19 outbreak on future results of operations, financial condition, or liquidity at this time.

The organization, as required by the Consolidated Municipal Service Manager and the Province, applied for all COVID-19 response benefits for which it was entitled and has reconciled such funding against eligible expenses. There continues to be funding uncertainty in 2021-22, resulting in a 2022 deficit budget of $717,471 driven mainly by COVID-19 specific expenses and low school-age enrolment (currently operating at 50% of pre-pandemic capacity). As such any surplus funds from 2021 have been internally restricted for ongoing pandemic response.