

RisingOaks Early Learning Ontario
Financial Statements
For the Year Ended December 31, 2022

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For the Year Ended December 31, 2022

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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, 2022, 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, 2022, 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 17, 2023

RisingOaks Early Learning Ontario Statement of Financial Position

December 31	2022	2021
Assets		
Current		
Cash (Note 2)	\$ 2,893,184	\$ 3,571,015
Short-term investments (Note 3)	1,931,918	709,290
Accounts receivable (Note 4)	256,688	240,097
Prepaid expenses	69,391	47,920
	5,151,181	4,568,322
Tangible capital assets (Note 5)	1,278,824	745,927
	\$ 6,430,005	\$ 5,314,249


Liabilities and Net Assets


Current		
Accounts payable and accrued liabilities (Note 6)	\$ 782,897	\$ 778,385
Customer deposits	384,714	314,505
Deferred revenue (Note 7)	419,514	10,609
Current portion of deferred capital contributions (Note 8)	152,073	100,741
	1,739,198	1,204,240
Deferred capital contributions (Note 8)	478,567	125,575
	2,217,765	1,329,815

Net Assets

Invested in tangible capital assets	648,185	519,611
Internally restricted for playground improvements (Note 10)	1,110,000	650,000
Internally restricted for renovation/capital (Note 10)	700,000	450,000
Internally restricted for risk management (Note 10)	600,000	600,000
Internally restricted for flex care spaces (Note 10)	235,000	115,556
Internally restricted for pandemic recovery (Note 10)	808,500	1,617,000
Unrestricted	110,555	32,267
	4,212,240	3,984,434
	\$ 6,430,005	\$ 5,314,249

On behalf of the Board:


 _____ Chair
 Amanda Stevens


 _____ Treasurer
 Jennifer Tieu

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	2022 Total	2021 Total
Balance, beginning of the year	\$ 519,611	\$ 650,000	\$ 450,000	\$ 600,000	\$ 115,556	\$ 1,617,000	\$ 32,267	\$3,984,434	\$ 2,763,937
Excess (deficiency) of revenues over expenses	(146,841)	-	-	-	-	-	374,647	227,806	1,220,497
Invested in tangible capital assets	815,138	(345,355)	-	-	-	-	(469,783)	-	-
Deferred capital contributions received	(539,723)	-	-	-	-	-	539,723	-	-
Transfers (Note 9)	-	805,355	250,000	-	119,444	(808,500)	(366,299)	-	-
Balance, end of the year	\$ 648,185	\$ 1,110,000	\$ 700,000	\$ 600,000	\$ 235,000	\$ 808,500	\$ 110,555	\$4,212,240	\$ 3,984,434

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

RisingOaks Early Learning Ontario Statement of Operations

For the year ended December 31	2022	2021
Revenue		
Child care services (Note 11)	\$ 8,525,673	\$ 7,097,527
Provincial Child Care Wage Enhancement Grant	483,918	453,054
Grants (Note 12)	1,966,490	3,146,584
Purchase of service wage reimbursement	78,134	48,494
Interest income	51,002	17,163
Fundraising	8,446	2,388
Amortization of deferred capital contributions (Note 8)	135,400	104,595
	<u>11,249,063</u>	<u>10,869,805</u>
Expenses		
Advertising and promotion	60,427	76,133
Amortization of tangible capital assets	282,241	177,287
Bad debts (recovery)	-	(1,432)
Computer services	60,720	56,816
Equipment leasing	8,751	8,969
Fees and dues	30,771	33,969
Food	336,832	314,525
Insurance	51,008	42,629
Interest and bank charges	15,317	17,638
Office and miscellaneous	46,774	27,515
Personal protective equipment	17,890	53,330
Professional fees	133,267	92,287
Program supplies	355,293	181,792
Program transportation and admission	59,599	32,892
Provincial child care wage enhancement	483,918	453,054
Rental	700,359	780,879
Repairs and maintenance	138,106	158,503
Security system	2,364	559
Staff development	112,518	74,693
Telephone	24,532	30,217
Utilities	21,608	18,689
Wages and benefits	8,098,496	7,911,679
	<u>11,040,791</u>	<u>10,542,623</u>
Excess of revenues over expenses before other items	<u>208,272</u>	<u>327,182</u>
Other items		
Canada emergency rent subsidy	-	74,416
Canada emergency wage subsidy	19,534	818,899
	<u>19,534</u>	<u>893,315</u>
Excess of revenues over expenses	<u>\$ 227,806</u>	<u>\$ 1,220,497</u>

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	2022	2021
Cash flows from operating activities		
Excess of revenues over expenses	\$ 227,806	\$ 1,220,497
Items not affecting cash:		
Amortization of tangible capital assets	282,241	177,287
Amortization of deferred capital contributions	(135,400)	(104,595)
	374,647	1,293,189
Changes in non-cash working capital:		
Accounts receivable	(16,591)	(25,551)
Prepaid expenses	(21,471)	(18,648)
Accounts payable and accrued liabilities	4,512	(2,377)
Customer deposits	70,209	55,844
Deferred revenue	408,905	(4,721)
	820,211	1,297,736
Cash flows from investing activities		
Purchase of tangible capital assets	(815,138)	(420,451)
Proceeds on disposal of short-term investments	177,372	672,158
Purchase of short-term investments	(1,400,000)	(705,000)
	(2,037,766)	(453,293)
Cash flows from financing activities		
Deferred capital contributions	539,724	71,097
	539,724	71,097
Net (decrease) increase in cash	(677,831)	915,540
Cash, beginning of the year	3,571,015	2,655,475
Cash, end of the year	\$ 2,893,184	\$ 3,571,015

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

RisingOaks Early Learning Ontario Notes to Financial Statements

December 31, 2022

1. Summary of Significant Accounting Policies

Nature and Purpose of Organization	<p>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.</p> <p>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.</p>
Basis of Accounting	<p>The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations ("ASNPO")</p>
Revenue Recognition	<p>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.</p> <p>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.</p> <p>Investment income is recognized as earned throughout the year.</p> <p>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.</p>
Financial Instruments	<p>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.</p>

RisingOaks Early Learning Ontario Notes to Financial Statements

December 31, 2022

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.

RisingOaks Early Learning Ontario Notes to Financial Statements

December 31, 2022

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 \$60,000 and is secured by a guaranteed investment certificate held by RBC in the amount of \$60,000. At year end, the unutilized portion was \$35,000 on the BMO Corporate MasterCard facility and \$49,000 on the VISA Business Card facility.

3. Short-term Investments

The organization has cashable guaranteed investment certificates earning interest between 0.95% and 5.00%, maturing between May 2023 and December 2025.

4. Accounts Receivable

	2022	2021
Accounts receivable	\$ 123,647	\$ 27,605
HST recoverable	133,041	203,742
Government subsidies receivable	-	8,750
	\$ 256,688	\$ 240,097

5. Tangible Capital Assets

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 80,325	\$ 46,336	\$ 44,447	\$ 44,447
Furniture and fixtures	2,288,318	1,067,654	1,535,894	823,813
Leasehold improvements	175,473	151,302	175,473	141,627
	2,544,116	1,265,292	1,755,814	1,009,887
		\$ 1,278,824		\$ 745,927

RisingOaks Early Learning Ontario
Notes to Financial Statements

December 31, 2022

6. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$98,629 (2021 - \$126,325).

7. Deferred Revenue

	<u>2022</u>	<u>2021</u>
Canada-Wide Early Learning & Child Care	\$ 405,885	\$ -
Ontario Trillium Foundation	13,629	10,609
	<u>\$ 419,514</u>	<u>\$ 10,609</u>

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Notes to Financial Statements

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8. Deferred Capital Contributions

	2022	2021
Beginning balance	\$ 226,316	\$ 259,814
Add: unrestricted contributions related to tangible capital asset purchases	539,724	71,097
Less: amounts amortized to revenue	(135,400)	(104,595)
	630,640	226,316
Less: current portion	152,073	100,741
	\$ 478,567	\$ 125,575

During the year, the Organization received the following:

- \$310,542 one-time funding from the Region of Waterloo for the Increased Access and/or Expansion Capital Grant. \$181,347 was recorded to deferred capital contributions and \$129,195 was recognized as grant revenue (Note 12).
 - \$36,076 one-time funding from the Region of Waterloo for the Repairs and Maintenance Expenses Funding Grant. \$35,241 was recorded to deferred capital contributions and \$835 was recognized as grant revenue (Note 12).
 - \$63,757 one-time funding from the Region of Waterloo for the PD Day Funding Grant. \$17,496 was recorded to deferred capital contributions and \$46,261 was recognized as grant revenue (Note 12).
 - \$284,493 one-time funding from the Region of Waterloo for the Additional Operating Funding Sustainability/Play-Based Materials Grant and it was recorded to deferred capital contributions.
 - \$110,000 from the Waterloo Region District School Board for First Time Equipping (Oak Creek). \$21,147 was recorded to deferred capital contributions and \$88,853 was recognized as grant revenue (Note 12).
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RisingOaks Early Learning Ontario Notes to Financial Statements

December 31, 2022

9. Interfund Transfers

During the year, the Board of Directors approved the following transfers:

- \$805,355 transfer from the unrestricted fund to the internally restricted fund for playground improvements.
- \$250,000 transfer from the unrestricted fund to the internally restricted fund for renovation/capital.
- \$119,444 transfer from the unrestricted fund to the internally restricted fund for flex care spaces.
- \$808,500 transfer from the internally restricted fund for pandemic recovery to unrestricted fund.

10. 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.

RisingOaks Early Learning Ontario
Notes to Financial Statements

December 31, 2022

11. Child Care Services

	2022	2021
Child Care Fees	\$ 6,528,726	\$ 7,097,527
Canada-Wide Early Learning & Child Care Rebate	1,996,947	-
	\$ 8,525,673	\$ 7,097,527

12. Grants

The following grants were recognized as revenue during the year:

	2022	2021
Region of Waterloo base operating grant	\$ 1,103,215	\$ 1,164,129
Region of Waterloo pay equity funding	60,152	60,152
Region of Waterloo one-time funding	468,740	108,559
Region of Waterloo COVID-19 safe restart funding	-	747,250
Region of Waterloo stabilization funding	158,550	1,013,200
Ontario Trillium Foundation	86,980	53,294
WRDSB First Time Equipping (Oak Creek)	88,853	-
	\$ 1,966,490	\$ 3,146,584

During the year, the Organization received \$90,000 from the Ontario Trillium Foundation. A total of \$86,980 was recognized as grant revenue during the year, \$10,609 was from the prior year deferred revenue (Note 7) and \$76,371 was recognized as directly as grant revenue. \$13,629 recorded as deferred revenue (Note 7).

During the year, the organization received \$2,021,730 from the Region of Waterloo related to the Canada-Wide Early Learning & Child Care program. \$1,996,947 was recognized as child care services revenue (Note 11) and \$24,783 was recognized as one-time funding grant revenue.

RisingOaks Early Learning Ontario
Notes to Financial Statements

December 31, 2022

13. Commitments

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

2023	577,923
2024	575,966
2025	568,063
2026	490,758
2027	<u>288,789</u>
	<u>\$ 2,501,499</u>

RisingOaks Early Learning Ontario Notes to Financial Statements

December 31, 2022

14. 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 29% of its trade accounts receivable.

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.

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.

The risks remain unchanged from prior year.
