

Owl Child Care Services of Ontario
Financial Statements
For the Year Ended December 31, 2019

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Independent Auditor's Report

To the Board of Directors of
Owl Child Care Services of Ontario

Opinion

We have audited the accompanying financial statements of Owl Child Care Services of Ontario, 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 Owl Child Care Services of Ontario 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 Owl Child Care Services of Ontario 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 Owl Child Care Services of Ontario'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 Owl Child Care Services of Ontario or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Owl Child Care Services of Ontario'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 Owl Child Care Services of Ontario'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 Owl Child Care Services of Ontario'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 Owl Child Care Services of Ontario 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 10, 2020

**Owl Child Care Services of Ontario
Statement of Financial Position**

December 31	2019	2018
Assets		
Current		
Cash (Note 2)	\$ 1,485,320	\$ 1,902,564
Short-term investments (Note 3)	1,157,133	604,288
Accounts receivable (Note 4)	111,330	125,225
Prepaid expenses	27,289	22,250
	2,781,072	2,654,327
Tangible capital assets (Note 5)	574,918	331,400
	\$ 3,355,990	\$ 2,985,727
 Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 903,718	\$ 671,308
Customer deposits	354,226	334,821
Current portion of deferred capital contributions (Note 7)	90,713	67,815
Deferred fee revenue	-	299,620
	1,348,657	1,373,564
Deferred capital contributions (Note 7)	248,278	224,602
	1,596,935	1,598,166
 Net Assets		
Invested in tangible capital assets	235,927	38,983
Internally restricted for playground improvements(Note 8)	490,000	350,000
Internally restricted for renovation/capital(Note 8)	250,000	250,000
Internally restricted for risk management(Note 8)	500,000	500,000
Internally restricted for flex care spaces(Note 8)	130,375	185,000
Unrestricted	152,753	63,578
	1,759,055	1,387,561
	\$ 3,355,990	\$ 2,985,727

On behalf of the Board:

 Director
Karen McIlroy

 Director
Sarah Willey-Thomas

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

Owl Child Care Services of 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	Unrestricted	2019 Total	2018 Total
Balance, beginning of the year	\$ 38,983	\$ 350,000	\$ 250,000	\$ 500,000	\$ 185,000	\$ 63,578	\$ 1,387,561	\$ 1,048,373
Excess (deficiency) of revenues over expenses	(20,161)	-	-	-	-	391,655	371,494	339,188
Invested in tangible capital assets	335,586	-	-	-	-	(335,586)	-	-
Deferred capital contributions received	(118,481)	-	-	-	-	118,481	-	-
Transfers (Note 9)	-	140,000	-	-	(54,625)	(85,375)	-	-
Balance, end of the year	\$ 235,927	\$ 490,000	\$ 250,000	\$ 500,000	\$ 130,375	\$ 152,753	\$ 1,759,055	\$ 1,387,561

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

Owl Child Care Services of Ontario Statement of Operations

For the year ended December 31	2019	2018
Revenue		
Child care services	\$ 7,791,465	\$ 6,609,994
Provincial Child Care Wage Enhancement Grant	700,094	621,784
Grants (Note 10)	1,446,705	2,228,152
Purchase of service wage reimbursement	62,212	34,060
Interest income	33,726	22,215
Fundraising	3,216	1,388
Amortization of deferred capital contributions (Note 7)	71,907	31,377
	10,109,325	9,548,970
Expenses		
Advertising and promotion	72,680	50,755
Amortization of tangible capital assets	92,068	45,844
Bad debts	1,956	4,192
Computer services	46,040	43,019
Equipment leasing	9,111	8,652
Fees and dues	32,114	24,871
Food	347,439	302,096
Insurance	36,707	31,164
Interest and bank charges	13,577	12,447
Office and miscellaneous	37,043	54,893
Professional fees	28,557	40,302
Program supplies	148,287	412,349
Program transportation and admission	98,790	96,744
Provincial child care wage enhancement	700,094	621,784
Rental	606,802	568,563
Repairs and maintenance	112,060	211,873
Security system	874	10,621
Staff development	83,217	77,224
Telephone	32,592	17,018
Utilities	15,983	16,644
Wages and benefits	7,221,840	6,560,291
	9,737,831	9,211,346
Excess of revenues over expenses before other item	371,494	337,624
Other item		
Gain on disposal of tangible capital assets	-	1,564
Excess of revenues over expenses	\$ 371,494	\$ 339,188

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

Owl Child Care Services of Ontario Statement of Cash Flows

For the year ended December 31	2019	2018
Cash flows from operating activities		
Excess of revenues over expenses	\$ 371,494	\$ 339,188
Items not affecting cash:		
Amortization of tangible capital assets	92,068	45,844
Gain on disposal of tangible capital assets	-	(1,564)
Amortization of deferred capital contributions	(71,907)	(31,377)
	391,655	352,091
Changes in non-cash working capital:		
Accounts receivable	13,895	1,677
Start-up inventories	-	141,971
Prepaid expenses	(5,039)	(6,919)
Accounts payable and accrued liabilities	232,410	132,977
Customer deposits	19,405	35,632
Deferred fee revenue	(299,620)	299,620
	352,706	957,049
Cash flows from investing activities		
Purchase of tangible capital assets	(335,586)	(245,237)
Proceeds on disposal of tangible capital assets	-	2,575
Proceeds on disposal of short-term investments	257,155	480,246
Purchase of short-term investments	(810,000)	(400,000)
	(888,431)	(162,416)
Cash flows from financing activities		
Deferred capital contributions	118,481	194,875
	118,481	194,875
Net (decrease) increase in cash	(417,244)	989,508
Cash, beginning of the year	1,902,564	913,056
Cash, end of the year	\$ 1,485,320	\$ 1,902,564

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

Owl Child Care Services of Ontario

Notes to Financial Statements

December 31, 2019

1. Summary of Significant Accounting Policies

Nature and Purpose of Organization	<p>Owl Child Care Services of Ontario ("the organization") provides member 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>

Owl Child Care Services of Ontario Notes to Financial Statements

December 31, 2019

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 and are amortized, 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.

Owl Child Care Services of Ontario Notes to Financial Statements

December 31, 2019

2. Cash

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

3. Short-term Investments

The organization has cashable guaranteed investment certificates earning interest between 1.50% and 3.00%, maturing between January 2020 and June 2021.

4. Accounts Receivable

	2019	2018
Accounts receivable	\$ 36,029	\$ 43,346
HST recoverable	75,301	81,879
	\$ 111,330	\$ 125,225

5. Tangible Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 44,447	\$ 32,935	\$ 44,447	\$ 26,628
Furniture and fixtures	1,108,760	545,354	783,764	470,201
Leasehold improvements	127,098	127,098	127,098	127,080
	1,280,305	705,387	955,309	623,909
		\$ 574,918		\$ 331,400

6. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$51,383 (2018 - \$25,646).

Owl Child Care Services of Ontario Notes to Financial Statements

December 31, 2019

7. Deferred Capital Contributions

	2019	2018
Beginning balance	\$ 292,417	\$ 128,919
Add: unrestricted contributions related to tangible capital asset purchases	118,481	194,875
Less: amounts amortized to revenue	(71,907)	(31,377)
	338,991	\$ 292,417
Less: current portion	90,713	67,815
	\$ 248,278	\$ 224,602

8. Internally Restricted Net Assets

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

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

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.

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 \$140,000 transfer from unrestricted fund to the internally restricted fund for playground improvements to offset future playground improvement expenses. The Board of Director's also approved a \$54,625 transfer from the internally restricted fund for flex care spaces to the unrestricted fund to recognize the funding applied to flexible childcare during the year.

Owl Child Care Services of Ontario Notes to Financial Statements

December 31, 2019

10. Grants

	2019	2018
Region of Waterloo base operating grant	\$ 949,475	\$ 831,738
Region of Waterloo pay equity funding	60,152	60,152
Region of Waterloo one-time funding	437,078	1,210,337
Other grants	-	125,925
	\$ 1,446,705	\$ 2,228,152

11. Commitments

The organization leases certain equipment and operating premises. The minimum annual lease payments are as follows:

2020	\$	530,609
2021		550,143
2022		397,805
2023		70,797
2024		73,312
Thereafter		56,399
		\$ 1,679,065

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 and HST recoverable. The company is exposed to concentration of credit risk in its accounts receivable as one government funder represents 95% of its trade accounts receivable.

Owl Child Care Services of Ontario Notes to Financial Statements

December 31, 2019

12. Financial Instrument Risks (continued)

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 organization's exposure to the above risks is unchanged from the prior year.

13. Comparative Amounts

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