

**Owl Child Care Services of Ontario  
Financial Statements  
For the Year Ended December 31, 2017**

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Financial Statements  
For the Year Ended December 31, 2017**

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**Contents**

|                                     |        |
|-------------------------------------|--------|
| <b>Independent Auditor's Report</b> | 1 - 2  |
| <b>Financial Statements</b>         |        |
| Statement of Financial Position     | 3      |
| Statement of Changes in Net Assets  | 4      |
| Statement of Operations             | 5      |
| Statement of Cash Flows             | 6      |
| Notes to Financial Statements       | 7 - 12 |



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## Independent Auditor's Report

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

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, 2017, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility 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.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Owl Child Care Services of Ontario as at December 31, 2017, 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.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Ontario  
February 27, 2018

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

| December 31                             | 2017                | 2016                |
|---|---------------------|---------------------|
| <b>Assets</b>                           |                     |                     |
| <b>Current</b>                          |                     |                     |
| Cash (Note 2)                           | \$ 913,056          | \$ 773,651          |
| Short-term investments (Note 3)         | 684,534             | 753,211             |
| Accounts receivable (Note 4)            | 126,902             | 79,122              |
| Start-up inventories                    | 141,971             | -                   |
| Prepaid expenses                        | 15,331              | 22,817              |
|   | 1,881,794           | 1,628,801           |
| <b>Tangible capital assets (Note 5)</b> | <b>133,018</b>      | <b>42,798</b>       |
|   | <b>\$ 2,014,812</b> | <b>\$ 1,671,599</b> |

**Liabilities and Net Assets**

|  |                     |                     |
|--|---------------------|---------------------|
| <b>Current</b>   |                     |                     |
| Accounts payable and accrued liabilities (Note 6)          | \$ 538,331          | \$ 577,773          |
| Customer deposits  | 299,189             | 264,444             |
| Deferred capital contributions (Note 7)                    | 128,919             | 3,850               |
|  | 966,439             | 846,067             |
| <b>Net Assets</b>  |                     |                     |
| Invested in tangible capital assets                        | 130,899             | 38,948              |
| Internally restricted for renovation/capital (Note 8)      | 200,000             | 200,000             |
| Internally restricted for risk management (Note 8)         | 500,000             | 500,000             |
| Internally restricted for playground improvements (Note 8) | 100,000             | -                   |
| Unrestricted   | 117,474             | 86,584              |
|  | 1,048,373           | 825,532             |
|  | <b>\$ 2,014,812</b> | <b>\$ 1,671,599</b> |

On behalf of the Board:

  
\_\_\_\_\_  
Melissa Graham  
Treasurer

  
\_\_\_\_\_  
Wayne Steffor  
Chair

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<br>December 31                   | Internally<br>Restricted for<br>Playground<br>Improvements | Invested in<br>tangible<br>capital assets | Internally<br>Restricted for<br>Renovation/<br>Capital | Internally<br>Restricted for<br>Risk<br>Management | Unrestricted      | 2017<br>Total       | 2016<br>Total     |
|---|--|---|--|--|-------------------|---------------------|-------------------|
| Balance, beginning of<br>the year                   | \$ -   | \$ 38,948                                 | \$ 200,000   | \$ 500,000   | \$ 86,584         | \$ 825,532          | \$ 705,510        |
| Excess (deficiency) of<br>revenues over<br>expenses | -  | (22,532)                                  | -  | -  | 245,373           | 222,841             | 120,022           |
| Invested in tangible<br>capital assets              | -  | 114,483                                   | -  | -  | (114,483)         | -                   | -                 |
| Transfers   | 100,000  | -   | -  | -  | (100,000)         | -                   | -                 |
| <b>Balance, end of the year</b>                     | <b>\$ 100,000</b>  | <b>\$ 130,899</b>                         | <b>\$ 200,000</b>                                      | <b>\$ 500,000</b>                                  | <b>\$ 117,474</b> | <b>\$ 1,048,373</b> | <b>\$ 825,532</b> |

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                             | 2017              | 2016              |
|--|-------------------|-------------------|
| <b>Revenue</b>   |                   |                   |
| Child care services  | \$ 6,050,193      | \$ 5,682,096      |
| Provincial Child Care Wage Enhancement Grant               | 388,494           | 376,181           |
| Grants (Note 9)  | 880,231           | 872,567           |
| Purchase of service wage reimbursement                     | 23,279            | 23,759            |
| Interest income  | 15,860            | 14,945            |
| Fundraising  | 4,368             | 6,954             |
| Reimbursement of repair expenses                           | -                 | 44,000            |
| Amortization of deferred capital contributions (Note 7)    | 1,731             | 20,701            |
|  | <b>7,364,156</b>  | <b>7,041,203</b>  |
| <b>Expenses</b>  |                   |                   |
| Advertising and promotion                                  | 56,243            | 53,745            |
| Amortization of tangible capital assets                    | 24,263            | 39,546            |
| Bad debts  | 5,135             | 138               |
| Computer services  | 40,260            | 29,332            |
| Equipment leasing  | 8,941             | 9,975             |
| Fees and dues  | 23,489            | 23,456            |
| Food   | 259,120           | 239,675           |
| Insurance  | 28,974            | 28,616            |
| Interest and bank charges                                  | 6,072             | 2,433             |
| Office and miscellaneous                                   | 33,546            | 31,311            |
| Professional fees  | 48,176            | 26,306            |
| Program supplies   | 143,577           | 165,126           |
| Program transportation and admission                       | 86,562            | 62,923            |
| Provincial child care wage enhancement                     | 388,494           | 376,181           |
| Rental   | 483,087           | 460,374           |
| Repairs and maintenance                                    | 132,425           | 131,992           |
| Security system (recovery)                                 | 3,320             | (1,243)           |
| Staff development  | 62,871            | 67,545            |
| Telephone  | 17,019            | 16,068            |
| Utilities  | 17,262            | 18,246            |
| Wages and benefits   | 5,272,559         | 5,139,611         |
|  | <b>7,141,395</b>  | <b>6,921,356</b>  |
| <b>Excess of revenues over expenses before other items</b> | <b>222,761</b>    | <b>119,847</b>    |
| <b>Other item</b>  |                   |                   |
| Gain on disposal of tangible capital assets                | 80                | 175               |
| <b>Excess of revenues over expenses</b>                    | <b>\$ 222,841</b> | <b>\$ 120,022</b> |

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                  | 2017              | 2016              |
|---|-------------------|-------------------|
| <b>Cash flows from operating activities</b>     |                   |                   |
| Excess (deficiency) of revenues over expenses   | \$ 222,841        | \$ 120,022        |
| Items not affecting cash:                       |                   |                   |
| Amortization of tangible capital assets         | 24,263            | 39,546            |
| Gain on disposal of tangible capital assets     | (80)              | (175)             |
| Amortization of deferred capital contributions  | (1,731)           | (20,701)          |
|   | 245,293           | 138,692           |
| Changes in non-cash working capital:            |                   |                   |
| Accounts receivable                             | (47,780)          | (1,319)           |
| Inventories                                     | (141,971)         | -                 |
| Prepaid expenses                                | 7,486             | 3,931             |
| Accounts payable and accrued liabilities        | (39,442)          | 206,617           |
| Customer deposits                               | 34,745            | 8,293             |
| Deferred contributions                          | 126,800           | -                 |
|   | 185,131           | 356,214           |
| <b>Cash flows from investing activities</b>     |                   |                   |
| Purchase of tangible capital assets             | (114,483)         | (17,856)          |
| Proceeds on disposal of tangible capital assets | 80                | 175               |
| Proceeds on disposal of short-term investments  | 467,677           | -                 |
| Purchase of short-term investments              | (399,000)         | (12,986)          |
|   | (45,726)          | (30,667)          |
| <b>Net increase in cash</b>                     | <b>139,405</b>    | <b>325,547</b>    |
| <b>Cash, beginning of the year</b>              | <b>773,651</b>    | <b>448,104</b>    |
| <b>Cash, end of the year</b>                    | <b>\$ 913,056</b> | <b>\$ 773,651</b> |

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

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# Owl Child Care Services of Ontario

## Notes to Financial Statements

December 31, 2017

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### 1. Summary of Significant Accounting Policies

|   |  |
|---|--|
| <b>Nature and Purpose of Organization</b> | <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>  |
| <b>Basis of Accounting</b>                | <p>The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations ("ASNPO")</p>  |
| <b>Revenue Recognition</b>                | <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.</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> |
| <b>Financial Instruments</b>              | <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>   |
| <b>Inventories</b>                        | <p>Inventories are stated at the lower of cost and net realizable value. Cost is determined on the specific identification method.</p>   |

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# Owl Child Care Services of Ontario

## Notes to Financial Statements

December 31, 2017

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### 1. Summary of Significant Accounting Policies (continued)

|                                |  |                    |                             |                        |                             |                        |   |
|--------------------------------|--|--------------------|-----------------------------|------------------------|-----------------------------|------------------------|---|
| <b>Tangible Capital Assets</b> | <p>Tangible capital assets are stated at cost less accumulated amortization. Contributed tangible capital assets are recorded at fair value, when fair value can be reasonably estimated, at the date of contribution.</p> <p>Amortization based on the estimated useful life of the asset is calculated as follows:</p> <table><tr><td>Computer equipment</td><td>3 years straight-line basis</td></tr><tr><td>Furniture and fixtures</td><td>5 years straight-line basis</td></tr><tr><td>Leasehold improvements</td><td>10 years straight-line basis or life of lease</td></tr></table> <p>When a tangible capital asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value 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.</p> | 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 |
| 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  |                    |                             |                        |                             |                        |   |
| <b>Contributed Services</b>    | <p>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.</p>  |                    |                             |                        |                             |                        |   |
| <b>Use of Estimates</b>        | <p>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.</p>   |                    |                             |                        |                             |                        |   |
| <b>Leases</b>                  | <p>Lease agreements that transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of a tangible capital asset and the incurrence of an obligation. All other leases are accounted for as operating leases, and the rental costs are expensed as incurred.</p>   |                    |                             |                        |                             |                        |   |

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## Owl Child Care Services of Ontario Notes to Financial Statements

**December 31, 2017**

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### 2. Cash

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

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### 3. Short-term investments

The organization has cashable guaranteed investment certificates earning interest between 1.35% and 2.00%, maturing between January 2018 and May 2019.

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### 4. Accounts Receivable

|                     | 2017       | 2016      |
|---------------------|------------|-----------|
| Accounts receivable | \$ 64,817  | \$ 30,379 |
| HST recoverable     | 62,085     | 48,743    |
|                     | \$ 126,902 | \$ 79,122 |

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### 5. Tangible Capital Assets

|                        | 2017      |                             | 2016      |                             |
|------------------------|-----------|-----------------------------|-----------|-----------------------------|
|                        | Cost      | Accumulated<br>Amortization | Cost      | Accumulated<br>Amortization |
| Computer equipment     | \$ 37,260 | \$ 31,019                   | \$ 37,260 | \$ 24,849                   |
| Furniture and fixtures | 593,275   | 467,176                     | 478,791   | 449,839                     |
| Leasehold improvements | 127,098   | 126,420                     | 127,098   | 125,663                     |
|                        | 757,633   | 624,615                     | 643,149   | 600,351                     |
| Net book value         |           | \$ 133,018                  |           | \$ 42,798                   |

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### 6. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$23,188 (2016 - \$19,575).

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## Owl Child Care Services of Ontario Notes to Financial Statements

December 31, 2017

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### 7. Deferred Capital Contributions

|   | 2017       | 2016      |
|---|------------|-----------|
| Beginning balance   | \$ 3,850   | \$ 24,551 |
| Add: restricted contributions related to tangible capital<br>asset purchases for St. Brigid | 126,800    | -         |
| Less: amounts amortized to revenue  | (1,731)    | (20,701)  |
| Ending balance  | \$ 128,919 | \$ 3,850  |

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### 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.

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

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### 9. Grants

|   | 2017       | 2016       |
|---|------------|------------|
| Region of Waterloo base operating grant | \$ 718,081 | \$ 714,890 |
| Region of Waterloo pay equity funding   | 60,152     | 60,152     |
| Region of Waterloo one-time funding     | 101,998    | 96,258     |
| Other grants                            | -          | 1,267      |
|   | \$ 880,231 | \$ 872,567 |

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## Owl Child Care Services of Ontario Notes to Financial Statements

December 31, 2017

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### 10. Commitments

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

|      |    |                |
|------|----|----------------|
| 2018 | \$ | 97,397         |
| 2019 |    | 97,397         |
| 2020 |    | 92,833         |
| 2021 |    | 64,172         |
| 2022 |    | <u>44,336</u>  |
|      | \$ | <u>396,135</u> |

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## Owl Child Care Services of Ontario Notes to Financial Statements

December 31, 2017

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### 11. 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 related 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 98% 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, accrued liabilities and customer deposits.

#### 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 short-term investments. 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.

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