

**Owl Child Care Services of Ontario
Financial Statements
For the Year Ended December 31, 2016**

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For the Year Ended December 31, 2016**

Contents

Independent Auditor's Report	1 - 2
Financial Statements	
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



Tel: 519 576 5220
Fax: 519 576 5471
Toll-Free: 888 236 5482
www.bdo.ca

BDO Canada LLP
The Bauer Buildings
150 Caroline Street S, Suite 201
Waterloo ON N2L 0A5 Canada

Independent Auditor's Report

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, 2016, 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, 2016, 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.

Other Matters

The financial statements of Owl Child Care Services of Ontario for the year ending December 31, 2015 were reported on by another accountant, who issued an unqualified report dated March 8, 2016.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Ontario
March 7, 2017

Owl Child Care Services of Ontario Statement of Financial Position

December 31	2016	2015
Assets		
Current		
Cash (Note 2)	\$ 773,651	\$ 448,104
Short-term investments (Note 3)	753,211	740,225
Accounts receivable (Note 4)	79,122	77,803
Prepaid expenses	22,817	26,748
	1,628,801	1,292,880
Tangible capital assets (Note 5)	42,798	64,488
	\$ 1,671,599	\$ 1,357,368

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities (Note 6)	\$ 577,773	\$ 371,156
Customer deposits	264,444	256,151
Deferred capital contributions (Note 7)	3,850	24,551
	846,067	651,858
Net Assets		
Invested in tangible capital assets	38,948	39,937
Internally restricted for renovation/capital (Note 8)	200,000	100,000
Internally restricted for risk management (Note 8)	500,000	500,000
Unrestricted	86,584	65,573
	825,532	705,510
	\$ 1,671,599	\$ 1,357,368

On behalf of the Board:

Corrie Ballantyne

Corrie Ballantyne
President

Joanne Tam

Joanne Tam, CPA/CA
Treasurer

**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 Renovation/ Capital	Internally Restricted for Risk Management	Unrestricted	2016 Total	2015 Total
Balance, beginning of the year	\$ 39,937	\$ 100,000	\$ 500,000	\$ 65,573	\$ 705,510	\$ 737,086
Excess (deficiency) of revenues over expenses	(18,845)	-	-	138,867	120,022	(31,576)
Invested in tangible capital assets	17,856	-	-	(17,856)	-	-
Transfers (Note 8)	-	100,000	-	(100,000)	-	-
Balance, end of the year	\$ 38,948	\$ 200,000	\$ 500,000	\$ 86,584	\$ 825,532	\$ 705,510

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	2016	2015
Revenue		
Child care services	\$ 5,682,096	\$ 5,352,254
Provincial Child Care Wage Enhancement Grant	376,181	181,174
Grants (Note 9)	872,567	816,996
Purchase of service wage reimbursement	23,759	38,542
Interest income	14,945	15,223
Fundraising	6,954	6,479
Reimbursement of repair expenses	44,000	-
Amortization of deferred capital contributions (Note 7)	20,701	20,860
	7,041,203	6,431,528
Expenses		
Advertising and promotion	53,745	29,647
Amortization of tangible capital assets	39,546	57,612
Bad debts	138	417
Computer services	29,332	38,029
Equipment leasing	9,975	9,200
Fees and dues	23,456	22,723
Food	239,675	219,462
Insurance	28,616	26,653
Interest and bank charges	2,433	2,576
Office and miscellaneous	31,311	22,812
Professional fees	26,306	23,644
Program supplies	165,126	93,384
Program transportation and admission	62,923	71,992
Provincial child care wage enhancement	376,181	181,174
Renovations	-	41,586
Rental	460,374	451,965
Repairs and maintenance	131,992	87,222
Security system (recovery)	(1,243)	516
Staff development	67,545	62,994
Telephone	16,068	7,147
Utilities	18,246	17,090
Wages and benefits	5,139,611	4,995,331
	6,921,356	6,463,176
Excess (deficiency) of revenues over expenses before other items	119,847	(31,648)
Other items		
Gain on disposal of tangible capital assets	175	72
Excess (deficiency) of revenues over expenses	\$ 120,022	\$ (31,576)

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	2016	2015
Cash flows from operating activities		
Excess (deficiency) of revenues over expenses	\$ 120,022	\$ (31,576)
Items not affecting cash:		
Amortization of tangible capital assets	39,546	57,612
Gain on disposal of tangible capital assets	(175)	(72)
Amortization of deferred capital contributions	(20,701)	(20,860)
	<u>138,692</u>	<u>5,104</u>
Changes in non-cash working capital:		
Accounts receivable	(1,319)	(23,769)
Prepaid expenses	3,931	(9,929)
Accounts payable and accrued liabilities	206,617	128,743
Customer deposits	8,293	4,273
	<u>356,214</u>	<u>104,422</u>
Cash flows from investing activities		
Purchase of tangible capital assets	(17,856)	(11,027)
Proceeds on disposal of tangible capital assets	175	741
Purchase of short-term investments	(12,986)	(13,147)
	<u>(30,667)</u>	<u>(23,433)</u>
Cash flows from financing activities		
Contribution received for purchase of tangible capital asset	-	1,038
Net increase in cash	325,547	82,027
Cash, beginning of the year	448,104	366,077
Cash, end of the year	\$ 773,651	\$ 448,104

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

Owl Child Care Services of Ontario

Notes to Financial Statements

December 31, 2016

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 Ontario 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.</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 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, 2016

1. Summary of Significant Accounting Policies (continued)

Tangible Capital Assets	<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						
Contributed Services	<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>						
Use of Estimates	<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>						
Leases	<p>Lease agreements that transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of a tangible capital assets and the incurrence of an obligation. All other leases are accounted for as operating leases, and the rental costs are expensed as incurred.</p>						

Owl Child Care Services of Ontario Notes to Financial Statements

December 31, 2016

2. Cash

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

3. Short-term investments

The organization has cashable guaranteed investment certificates earning interest between 0.82% and 2.11%, maturing between January 2017 and December 2018.

4. Accounts Receivable

	2016	2015
Accounts receivable	\$ 30,379	\$ 36,707
HST recoverable	48,743	41,096
	\$ 79,122	\$ 77,803

5. Tangible Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 37,260	\$ 24,849	\$ 42,467	\$ 33,193
Furniture and fixtures	478,791	449,839	485,398	434,701
Leasehold improvements	127,098	125,663	127,098	122,581
	643,149	600,351	654,963	590,475
Net book value	\$ 42,798		\$ 64,488	

6. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$19,575 (2015 - \$16,837).

Owl Child Care Services of Ontario Notes to Financial Statements

December 31, 2016

7. Deferred Capital Contributions

	2016	2015
Beginning balance	\$ 24,551	\$ 44,373
Add: restricted contributions related to tangible capital asset purchases	-	1,038
Less: amounts amortized to revenue	(20,701)	(20,860)
Ending balance	\$ 3,850	\$ 24,551

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.

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

During the year the Board of Directors approved a transfer of \$100,000 from the Unrestricted Fund to the Renovation/Capital Fund.

9. Grants

	2016	2015
Region of Waterloo base operating grant	\$ 714,890	\$ 711,851
Region of Waterloo pay equity funding	60,152	60,152
Region of Waterloo one-time funding	96,258	44,993
Other grants	1,267	-
	\$ 872,567	\$ 816,996

Owl Child Care Services of Ontario Notes to Financial Statements

December 31, 2016

10. Commitments

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

2017	\$	52,511
2018		44,544
2019		44,544
2020		39,980
2021		<u>13,144</u>
	\$	<u>194,723</u>

Owl Child Care Services of Ontario Notes to Financial Statements

December 31, 2016

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 a reputable financial institution, 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 81% 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.

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.
