

SCHOOLHOUSE PLAYCARE CENTRE OF DURHAM
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

SCHOOLHOUSE PLAYCARE CENTRE OF DURHAM

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Members of Schoolhouse Playcare Centre of Durham

Opinion

We have audited the financial statements of Schoolhouse Playcare Centre of Durham (the "Organization"), which comprise the statement of financial position as at December 31, 2020, 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, 2020, and its results of operations and cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO).

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 the financial statements in accordance with ASNPO, 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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.

**INDEPENDENT AUDITOR'S REPORT
(continued)**

- ♦ 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.

Hurren Sinclair MacIntyre LLP

Chartered Professional Accountants
Licensed Public Accountants

Ajax, Ontario
May 18, 2021

SCHOOLHOUSE PLAYCARE CENTRE OF DURHAM
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	2020	2019
ASSETS		
Current		
Cash and cash equivalents (Note 2)	\$ 5,412,161	\$ 4,208,518
Investments (Note 3)	2,087,044	2,004,329
Accounts receivable (Note 15)	1,321,814	492,511
HST rebate receivable	67,027	81,106
Prepaid expenses	148,841	136,744
	9,036,887	6,923,208
Long term		
Capital assets (Note 4)	379,962	326,560
	\$ 9,416,849	\$ 7,249,768
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 5)	\$ 1,562,194	\$ 808,156
Current portion of capital lease obligations (Note 10)	17,634	17,634
Taxes withheld	116,340	136,589
Deferred day care fees (Note 6)	88,197	136,358
Deferred government grants, wage subsidies	416,388	559,927
	2,200,753	1,658,664
Long term		
Deferred capital asset grants (Note 7)	7,573	7,573
Deferred fundraising revenues (Note 8)	5,761	5,930
Deferred organizational fundraising revenues (Note 9)	1,994	1,994
Capital lease obligations (Note 10)	18,982	36,616
Deferred licensed home child care revenues (Note 11)	120,740	137,362
	155,050	189,475
	2,355,803	1,848,139
NET ASSETS		
Invested in capital assets	379,962	326,559
Unrestricted net assets	1,780,691	1,834,093
Internally restricted	4,900,393	3,240,977
	7,061,046	5,401,629
	\$ 9,416,849	\$ 7,249,768

Approved on behalf of the Board of Directors:

Director _____

Director _____

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

SCHOOLHOUSE PLAYCARE CENTRE OF DURHAM
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
REVENUE		
Day care fees	\$ 5,556,307	\$ 12,607,012
Federal grants (Note 15)	5,131,053	-
Government grants and wage subsidies	3,440,402	1,479,890
Wage enhancement	314,286	899,480
Interest income	97,677	122,925
	<u>14,539,725</u>	<u>15,109,307</u>
EXPENSES		
Advertising and promotion	16,203	21,767
Amortization	85,789	131,108
Bad debts	5,395	39,388
Classroom supplies	43,036	65,453
Equipment repairs and replacement	843,324	122,445
Equipment repairs and replacement - one time allocation	-	5,560
Excursion expense	-	5,941
Food and supplies	417,165	846,934
Insurance	65,589	60,383
Interest on capital leases	3,265	3,358
Legal settlement	37,807	-
Office and general	116,741	135,302
Personal protective equipment	20,739	-
Professional development	24,803	9,727
Professional fees	24,236	58,088
Rent	573,379	985,583
Staff appreciation	4,674	9,937
Telephone	25,892	23,984
Toys	13,364	28,329
Transportation	3,649	31,886
Wages and benefits funded by government grants	3,789,115	1,479,890
Wages and benefits	6,842,951	10,733,908
	<u>12,957,116</u>	<u>14,798,971</u>
	<u>1,582,609</u>	<u>310,336</u>
OTHER INCOME		
Gain due to waiver of lease payments (Note 16)	(76,807)	-
	<u>\$ 1,659,416</u>	<u>\$ 310,336</u>

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

SCHOOLHOUSE PLAYCARE CENTRE OF DURHAM
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Invested in Capital Assets	Internally Restricted	Unrestricted Net Assets	2020	2019
Balance, beginning of year	\$ 326,559	\$ 3,240,977	\$ 1,834,093	\$ 5,401,629	\$ 5,091,292
Excess (deficiency) of revenue over expenses	(85,789)	-	1,745,205	1,659,416	310,335
Invested in capital assets	139,191	-	(139,191)	-	-
Internally imposed restrictions (Note 13)	-	1,659,416	(1,659,416)	-	-
Balance, end of year	\$ 379,961	\$ 4,900,393	\$ 1,780,691	\$ 7,061,045	\$ 5,401,627

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

SCHOOLHOUSE PLAYCARE CENTRE OF DURHAM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
Cash provided by (used in)		
Operating activities:		
Excess of revenue over expenses	\$ 1,659,416	\$ 310,336
Adjustment for non-cash items:		
Amortization of capital assets	85,789	131,108
	1,745,205	441,444
Increase (decrease) in current assets		
Accounts receivable	(829,303)	(125,531)
HST rebate receivable	14,079	(3,034)
Prepaid expenses	(12,097)	40,621
	(827,321)	(87,944)
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	754,038	38,096
Taxes withheld	(20,249)	9,540
Deferred day care fees	(48,161)	29,457
Deferred government grants, wage subsidies	(143,539)	350,747
Deferred capital asset grants	-	(31,936)
Deferred fundraising revenues	(169)	(2,097)
Deferred licensed home child care revenues	(16,622)	137,362
	525,298	531,169
	1,443,182	884,669
Investing activities:		
Investments	(82,714)	(71,279)
Purchase of capital assets	(139,191)	(66,741)
	(221,905)	(138,020)
Financing activities:		
Capital lease obligations	(17,634)	3,240
Increase in cash and cash equivalents	1,203,643	749,889
Cash and cash equivalents, beginning of year	4,208,518	3,458,629
Cash and cash equivalents, end of year	\$ 5,412,161	\$ 4,208,518

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

SCHOOLHOUSE PLAYCARE CENTRE OF DURHAM

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

Nature of operations

Schoolhouse Playcare Centre of Durham ("the Organization") is a non-profit organization incorporated without share capital under the laws of Ontario. The purpose of the Organization is to establish, operate, promote and encourage child care programs for the children of Durham Region.

The Organization is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

1. Significant accounting policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Handbook and include the following significant accounting policies:

(a) Revenue recognition

The Organization follows the deferral method of accountings for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions for the purchase of capital assets are recognized as revenue on the same basis as the related assets purchased. Unrestricted contributions are recognized as revenue when received or receivable when the amount to be received can be reasonably estimated and collection is reasonably assured.

The Organization receives funding from the Regional Municipality of Durham based upon approved annual costs. The Organization follows the deferral method of accounting for these amounts in that the funds are recognized as revenue in the period that the costs are incurred. The Organization also receives funding for special purposes such as pay equity and wage subsidy. These amounts are received pursuant to legislation and contracts. The Organization also follows the deferral method of accounting for these amounts.

Day care fees and investment income is recognized in the period in which it is earned.

Federal grant amounts shall be recognized when there is reasonable assurance that:

- The Organization has complied with the conditions attached to the federal grant measure(s) applied for; and
- The government assistance will be received.

SCHOOLHOUSE PLAYCARE CENTRE OF DURHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. Significant accounting policies (continued)

(b) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. The reported results could differ from management's best estimates as additional information becomes available in the future. The impact of changes in estimates is taken into operations in the period of the changes. Management's estimates include collectibility of accounts receivable, useful life of capital assets, and accounts payables and accrued liabilities.

(c) Contributed materials and service

Volunteers contribute a significant amount of their time each year. As a result of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

The value of donated materials is recorded in the financial statements when the fair value of the materials can accurately be determined. No such amounts have been recognized in the year.

(d) Cash and cash equivalents

The Organization's policy is to present bank balances under cash and cash equivalents.

(e) Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, investments traded in an active market are reported at fair value, with any unrealized gains and losses reported in the statement of 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.

Financial assets measured at amortized cost include cash and cash equivalents and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

SCHOOLHOUSE PLAYCARE CENTRE OF DURHAM

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. Significant accounting policies (continued)

(f) Capital assets

Purchased capital assets are recorded at cost. Amortization is calculated annually based on the estimated useful life of the asset is calculated as follows:

Computer equipment/software	Declining balance	30%
Furniture and equipment	Declining balance	20%
Equipment under capital lease	Straight-line	5 years
Leasehold improvements	Straight-line	over lease term

A capital asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. If any potential impairment is identified, then the amount of the impairment is quantified by comparing the carrying value of the capital asset to its residual value. Any impairment of capital assets is charged to operations in the period in which the impairment is determined.

2. Cash and cash equivalents

	2020	2019
Money market account	\$ 3,951,907	\$ 3,948,330
Petty cash	318	318
Centre fundraising accounts	5,761	5,930
Savings and current accounts	1,454,175	253,940
	<u>\$ 5,412,161</u>	<u>\$ 4,208,518</u>

3. Investments

Investments consist of provincial bonds, corporate bonds, and GIC's with effective interest rates from 1.95% to 3.25%, which will mature between March 2022 and May 2025.

SCHOOLHOUSE PLAYCARE CENTRE OF DURHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

4. Capital assets

Capital assets are stated as follows:

	Cost	Accumulated Amortization	2020 Net Book Value	2019 Net Book Value
Furniture and equipment	\$ 1,126,315	\$ 820,822	\$ 305,493	\$ 234,727
Computer equipment and software	255,415	244,546	10,869	15,526
Equipment under capital lease	90,464	54,301	36,163	54,256
Leasehold improvements	874,441	847,004	27,437	22,051
	<u>\$ 2,346,635</u>	<u>\$ 1,966,673</u>	<u>\$ 379,962</u>	<u>\$ 326,560</u>

The amortization expense for the year is \$85,789 (2019 - \$131,108).

5. Accounts payable and accrued liabilities

	2020	2019
Accounts payable and accrued liabilities	\$ -	\$ 1
Trade	1,008,761	134,558
Employee salaries	312,747	379,734
Vacation pay	240,686	293,863
	<u>\$ 1,562,194</u>	<u>\$ 808,156</u>

6. Deferred day care fees

Deferred day care fees represent day care fees collected in the current year that relate to operations in the subsequent year.

Changes in the balance during the year are as follows:

	2020	2019
Begriming balance	\$ 136,358	\$ 106,901
Add: amount received during the year	5,454,919	12,636,469
Less: amount recognized as revenue in the year	(5,503,080)	(12,607,012)
	<u>\$ 88,197</u>	<u>\$ 136,358</u>

SCHOOLHOUSE PLAYCARE CENTRE OF DURHAM

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

7. Deferred capital asset grants

Deferred capital grants represent restricted capital funding received from the Region of Durham for the purchase of depreciable capital assets.

Changes in deferred capital grant balances during the year are as follows:

	2020	2019
Beginning balance	\$ 7,573	\$ 39,509
Less: amount applied to capital asset purchases	-	(31,936)
	<u>\$ 7,573</u>	<u>\$ 7,573</u>

8. Deferred fundraising revenues

The use of these funds is internally restricted for use in the respective centre in which it was earned including the purchase of toys, supplies, and excursions.

These internally restricted funds are comprised as follows:

	2020	2019
Balance, beginning of year	\$ 5,930	\$ 8,027
Add: amount received during the year	217	77
Less: amount expensed in the year	(386)	(2,174)
	<u>\$ 5,761</u>	<u>\$ 5,930</u>

9. Deferred organizational fundraising revenues

During 2008, the Organization started a fundraising campaign called Shop N' Support. The intended use of these funds is for use in the Organization including but not restricted to the purchase of toys, supplies, and excursions.

Changes in the balance during the year are as follows:

	2020	2019
Balance, beginning and end of year	<u>\$ 1,994</u>	<u>\$ 1,994</u>

SCHOOLHOUSE PLAYCARE CENTRE OF DURHAM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

10. Capital lease obligations

The Organization has equipment under capital lease, payable as follows:

	<u>2020</u>	<u>2019</u>
Questor Financial Corp., repayable in equal monthly installments of \$346, principal and interest at 18.84%, due October 2022.	\$ 6,051	\$ 9,508
Meridian OneCap Credit Corp., repayable in equal monthly installments of \$790, principal and interest at 16.84%, due October 2022.	14,119	22,187
Swish Maintenance Limited, repayable in equal monthly installments of \$114, principal and interest at 21.8%, due September 2021.	935	2,056
Questor Financial Corp., repayable in equal monthly installments of \$117, principal and interest at 17.67%, due December 2022.	2,305	3,458
Meridian OneCap Credit Corp., repayable in equal monthly installments of \$126, principal and interest at 12.63%, due June 2024.	4,366	5,645
Meridian OneCap Credit Corp., repayable in equal monthly installments of \$126, principal and interest at 11.27%, due May 2024.	4,260	5,538
Meridian OneCap Credit Corp., repayable in equal monthly installments of \$126, principal and interest at 10.97%, due August 2024.	4,580	5,858
	<u>36,616</u>	<u>54,250</u>
Less: current portion	<u>(17,634)</u>	<u>(17,634)</u>
	<u>\$ 18,982</u>	<u>\$ 36,616</u>

The leases are secured by equipment of the Organization.

The minimum lease payments required in subsequent years under capital leases are as follows:

2021	\$ 17,634
2022	13,631
2023	3,834
2024	<u>1,517</u>
	<u>\$ 36,616</u>

SCHOOLHOUSE PLAYCARE CENTRE OF DURHAM

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

11. Deferred licensed home child care

Deferred licensed home child care funding represent restricted funding received from the Region of Durham to support administrative costs of licensed home child care.

Changes in deferred licensed home child care balances during the year as as follows:

	2020	2019
Beginning balance	\$ 137,362	\$ -
Add: amount received in the current year	-	200,000
Less: licensed home child care costs incurred	(16,622)	(62,638)
	<u>\$ 120,740</u>	<u>\$ 137,362</u>

12. Commitments

The Organization entered into contractual obligations for its head office space, commencing on May 1, 2018, at total annual values as follows:

2021	\$ 225,658
2022	225,658
2023	225,658
2024	230,380
2025	230,380

13. Net assets internally restricted

The internally restricted net assets as approved by the Organization's Board of Directors are comprised as follows:

	2020	2019
Balance, beginning of year	\$ 3,240,977	\$ 3,054,776
Increase in internally restricted during the year	1,659,416	186,201
Balance, end of year	<u>\$ 4,900,393</u>	<u>\$ 3,240,977</u>

14. Lotteries

During the fiscal year, the Organization did not hold any lotteries. Accounting standards for not-for-profit organizations require that certain revenues and expenses related to these lotteries be recorded in a different year from which the lottery is held.

SCHOOLHOUSE PLAYCARE CENTRE OF DURHAM

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

15. Federal grants

The Organization applied for and received subsidies for salary and wages from the Federal Government under the Canada Emergency Wage Subsidy (CEWS) program in response to the COVID-19 pandemic. The amounts have been recognized as income pursuant to the accounting policy outlined in Note 1(a). Included in the Federal grant revenue is \$989,917 of CEWS that was receivable at the year end date.

The Organization applied for and received subsidies for rent from the Federal Government under the Canada Emergency Rent Subsidy (CERS) program in response to the COVID-19 pandemic. The amounts have been recognized as income pursuant to the accounting policy outlined in Note 1(a). Included in the Federal grant revenue is \$136,547 of CERS that was receivable at the year end date.

16. Gain due to waiver of lease payments

The Organization continues to account for the leases consistent with the terms of the original lease contract and recognize a gain due to the waiver of lease payments of \$76,807 as a result of applying the practical expedient in Section 3065 Leases for the current year.

17. Subsequent event

In March 2020, the Province of Ontario declared a state of emergency due to the outbreak of the COVID-19 virus, which continues to spread in Canada and around the world. In an effort to manage the spread of the virus, the Province mandated the temporary closure of all licensed child care centres. Accordingly, the Organization temporarily halted its operations at that time.

Childcare services were halted on March 16th, 2020 with eight of the twenty six centres re-opening on July 13th, 2021. Two additional centres re-opened in August, with the remaining opening on September 8th. During the month of September, Kindergarten and School-age programs were impacted by the staggered re-entry schedules imposed by the Durham District School Board. Staggered re-entry occurred between September 8th and September 18th at the reduced capacity as set by public health. The Organization is receiving the Canada Emergency Wage Subsidy to partially offset the wages and benefits and the Canada Emergency Rent Subsidy to partially offset the rent expense. Regional and other government funding has continued to support the Organization during this time.

SCHOOLHOUSE PLAYCARE CENTRE OF DURHAM

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

18. Financial instruments

The Organization is exposed to various risks through its financial instruments. The following analysis presents the Organization's exposures to significant risk at the reporting date, i.e. December 31, 2020. There has been no significant change in risk since December 31, 2019.

(a) Credit risk

The Organization is exposed to credit risk with respect to the subsidies receivable and accounts receivable. The subsidies receivable were received soon after the fiscal year-end; the corporation assesses, on a continuous basis, accounts receivable on the basis of amounts it is virtually certain to receive.

(b) Interest rate risk

The Organization is exposed to interest rate risk on its interest bearing financial instruments.

(c) Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, various long-term debt agreements, obligations under capital leases and operating lease commitments.

19. Comparative figures

Certain comparative figures have been reclassified from those previously presented to conform to the current presentation of the financial statements.