

LAKESIDE CHILD CARE CENTRE

Financial Statements

Year Ended December 31, 2020

LAKESIDE CHILD CARE CENTRE

Index to Financial Statements

Year Ended December 31, 2020

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Revenue and Expenditures	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12

INDEPENDENT AUDITOR'S REPORT

To the Members of Lakeside Child Care Centre

Opinion

We have audited the financial statements of Lakeside Child Care Centre (the Organization), which comprise the statement of financial position as at December 31, 2020, and the statements of revenue and expenditures, 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 the results of its 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 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.

Other Matter

The financial statements for the year ended December 31, 2019 were audited by another auditor who expressed a qualified opinion on those financial statements on March 5, 2020 for the completeness of child care fees.

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.

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.

(continues)

Independent Auditor's Report to the Members of Lakeside Child Care Centre *(continued)*

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.

Guelph, Ontario
April 16, 2021

Curtis-Villar LLP

CURTIS-VILLAR LLP
Chartered Professional Accountants
Licensed Public Accountants

LAKESIDE CHILD CARE CENTRE

Statement of Financial Position

December 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash	\$ 95,147	\$ 58,445
Accounts receivable	964	2,090
Government assistance receivable <i>(Note 4)</i>	4,507	-
	100,618	60,535
PROPERTY, PLANT AND EQUIPMENT <i>(Note 3)</i>	2,187	2,293
	\$ 102,805	\$ 62,828
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities <i>(Note 5)</i>	\$ 20,179	\$ 20,042
Deferred revenue <i>(Note 6)</i>	10,066	22,502
Due to related parties <i>(Note 7)</i>	71,883	67,375
	102,128	109,919
NET ASSETS		
General Fund <i>(Note 2)</i>	(98,140)	(89,622)
Reserve Fund <i>(Note 2)</i>	98,817	42,531
	677	(47,091)
	\$ 102,805	\$ 62,828

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

LAKESIDE CHILD CARE CENTRE
Statement of Revenue and Expenditures
Year Ended December 31, 2020

	2020	2019
REVENUE		
Child care fees	\$ 151,117	\$ 275,746
Grants <i>(Note 9)</i>	201,887	182,453
Other	-	435
	<u>353,004</u>	<u>458,634</u>
EXPENDITURES		
Salaries and wages <i>(Note 4)</i>	243,652	349,564
Supplies and expenses	35,241	29,450
Meals and snacks	7,767	12,175
Rent	6,000	12,000
Interest and bank charges	3,897	4,988
Professional fees	3,500	2,000
Insurance	1,743	1,571
Facilities and equipment	1,539	12,134
Amortization <i>(Note 3)</i>	1,266	1,394
Office	631	469
	<u>305,236</u>	<u>425,745</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>\$ 47,768</u>	<u>\$ 32,889</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

LAKESIDE CHILD CARE CENTRE

Statement of Changes in Net Assets

Year Ended December 31, 2020

	General Fund	Reserve Fund	2020	2019
NET ASSETS - BEGINNING OF YEAR	\$ (89,622)	\$ 42,531	\$ (47,091)	\$ (79,980)
Excess of revenue over expenditures	47,768	-	47,768	32,889
Interfund transfers <i>(Note 10)</i>	(56,286)	56,286	-	-
NET ASSETS - END OF YEAR	\$ (98,140)	\$ 98,817	\$ 677	\$ (47,091)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

LAKESIDE CHILD CARE CENTRE**Statement of Cash Flows****Year Ended December 31, 2020**

	2020	2019
OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 47,768	\$ 32,889
Items not affecting cash:		
Amortization of property, plant and equipment	1,266	1,394
Adjustment to surplus - previous year	-	(3,797)
	<u>49,034</u>	<u>30,486</u>
Changes in non-cash working capital:		
Accounts receivable	1,126	9,854
Harmonized sales tax payable	-	773
Accounts payable and accrued liabilities	137	651
Deferred revenue	(12,436)	880
Government assistance receivable	(4,507)	-
	<u>(15,680)</u>	<u>12,158</u>
Cash flow from operating activities	<u>33,354</u>	<u>42,644</u>
INVESTING ACTIVITY		
Purchase of property, plant and equipment	<u>(1,160)</u>	-
FINANCING ACTIVITY		
Advances from related parties	<u>4,508</u>	(2,625)
INCREASE IN CASH FLOW	36,702	40,019
Cash - beginning of year	<u>58,445</u>	<u>18,426</u>
CASH - END OF YEAR	<u>\$ 95,147</u>	<u>\$ 58,445</u>
CASH CONSISTS OF:		
Cash	<u>\$ 95,147</u>	<u>\$ 58,445</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

LAKESIDE CHILD CARE CENTRE

Notes to Financial Statements

Year Ended December 31, 2020

1. DESCRIPTION OF BUSINESS

Lakeside Child Care Centre is a division of Lakeside Bible Church. Lakeside Child Care Centre provides child care for infants, toddlers and preschool children.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Cash and cash equivalents

Cash and cash equivalents consists of bank balances and cash on hand.

Revenue recognition

Lakeside Child Care Centre 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.

Child care fees are recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Grants are recognized as revenue in the year in which the related expenses are incurred.

Other revenue consists of revenue from fundraisers and is recorded when received.

Fund accounting

Lakeside Child Care Centre follows the deferral method of accounting for contributions.

The General Fund accounts for revenues and expenses related to program delivery and administrative activities.

The Reserve Fund accounts for unspent funding received from the County of Wellington, designated for future use. Up to four months of operating expenses may be held in this fund.

Tax Exempt Status

The organization is a not-for-profit organization and is therefore exempt from corporate income taxes.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Measurement uncertainty exists for amortization. Actual results could differ from these estimates.

(continues)

LAKESIDE CHILD CARE CENTRE

Notes to Financial Statements

Year Ended December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization. Property, plant and equipment are amortized over their estimated useful lives at the following rates and methods:

Equipment	20%	declining balance method
Leasehold improvements	5 years	straight-line method

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Equipment	\$ 4,768	\$ 2,581	\$ 2,187	\$ 1,429
Leasehold improvements	5,184	5,184	-	864
	\$ 9,952	\$ 7,765	\$ 2,187	\$ 2,293

4. GOVERNMENT ASSISTANCE

During 2020, the Government of Canada created a program for organizations and businesses to apply for a wage subsidy, to help continue to pay their employees despite no work or less work due to COVID-19. One of the programs is the Temporary Wage Subsidy which allows eligible employers to reduce the amount of payroll deductions they need to remit and is equal to 10% of the remuneration paid from March 18 - June 19, 2020, up to \$1,375 for each eligible employee. The subsidy has been credited to salaries and wages and is not expected to be repaid.

Another program is the Canadian Emergency Wage Subsidy for 75% of employee wages is to help prevent further jobs losses and better position organizations to resume normal operations following the crisis and began on March 15, 2020. The subsidy has been credited to salaries and wages and is not expected to be repaid.

	2020	2019
Temporary Wage Subsidy	\$ 1,385	\$ -
Canadian Emergency Wage Subsidy	27,136	-
	\$ 28,521	\$ -

LAKESIDE CHILD CARE CENTRE

Notes to Financial Statements

Year Ended December 31, 2020

5. GOVERNMENT REMITTANCES PAYABLE OTHER THAN INCOME TAX

Government remittances (other than income taxes) include, for example, federal and provincial sales taxes, payroll taxes, health taxes, and workers' safety insurance premiums. The following government remittances were payable at year end:

	2020	2019
Employee deductions payable	\$ 8,114	\$ 6,442

6. DEFERRED REVENUE

The deferred grant represents restricted funding that is related to the subsequent year. The other deferred revenue relates to revenue from memberships and fees for service for the subsequent year.

	Deferred grants		Other deferred revenue	
	2020	2019	2020	2019
Balance, beginning of the year	\$ 17,723	\$ 21,621	\$ 4,774	\$ -
Less amount recognized as revenue in the year	(17,723)	(21,621)	(2,774)	-
Plus amount received for the subsequent year	1,044	17,723	7,022	4,774
	\$ 1,044	\$ 17,723	\$ 9,022	\$ 4,774

7. DUE TO RELATED PARTIES

	2020	2019
Lakeside Bible Church	\$ 9,883	\$ 5,375
Lakeside Bible Church - Demand loan	62,000	62,000
	\$ 71,883	\$ 67,375

Lakeside Bible Church is a related party as Lakeside Child Care Centre is a division of the church. Advances consist of a demand loan due 7 days after demand. The loan is non-interest bearing and has no set repayment terms. All other advances are non-interest bearing and have no set repayment terms. All other advances have been repaid in 2021 and are therefore classified as current.

8. RELATED PARTY TRANSACTIONS

The following is a summary of the organization's related party transactions:

	2020	2019
Lakeside Bible Church		
<i>(Lakeside Child Care Centre is a division of Lakeside Bible Church)</i>		
Child care fees transferred	\$ 112,655	\$ 198,894
HST rebate reimbursement	2,787	4,321
Admin wage reimbursement	(16,572)	(19,304)
Rent	(6,000)	(12,000)

(continues)

LAKESIDE CHILD CARE CENTRE

Notes to Financial Statements

Year Ended December 31, 2020

8. RELATED PARTY TRANSACTIONS *(continued)*

	2020	2019
Lakeside Bible Church <i>(continued)</i>		
Supplies and equipment expense reimbursement	(5,114)	(277)
Facilities and equipment expense reimbursement	(2,213)	(781)
Bank charges reimbursement	(2,145)	(1,596)
Insurance reimbursement	(1,743)	(1,571)
EHT reimbursement	(189)	(3,125)
Loan repayments	-	(8,000)
	81,466	156,561
	\$ 81,466	\$ 156,561

Transactions for rent are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All other transactions are not in the normal course of business and are recorded at cost.

9. MAJOR CONTRIBUTIONS

	2020	2019
County of Wellington	\$ 201,887	\$ 179,776

10. INTERFUND TRANSFERS

The General Fund transferred \$56,286 to the Reserve Fund for the excess funds received for the General Operating Grant from the County of Wellington during the year.

11. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of December 31, 2020.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from customers. The organization has a significant number of customers which minimizes concentration of credit risk.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, and accounts payable.

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant other price risks arising from these financial instruments.

LAKESIDE CHILD CARE CENTRE

Notes to Financial Statements

Year Ended December 31, 2020

12. COVID-19 IMPLICATIONS

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

As at March 18, 2020, the organization is aware of changes in its operations as a result of the COVID-19 crisis, including the closure of its facilities by the provincial government.

Management is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.

As a result, we are unable to estimate the potential impact on the organization's operations as at the date of these financial statements.

13. ACCOUNTING ERROR

During the course of our audit, there were several opening balances that were materially misstated. This includes accrued wages, accrued EHT fees, grant revenues and expenses not recognized, and reallocating amounts to due to related parties. Below is a summary of the financial areas impacted by the prior year errors:

	2020	2019
Opening balance impact		
Harmonized sales tax recoverable	\$ (3,219)	\$ -
	-	-
Accounts payable and accrued liabilities	7,597	-
Due to related parties	4,452	-
Deferred revenue	(42,530)	3,797
Net assets	27,262	(3,797)
Statement of Financial Position impact		
Harmonized sales tax recoverable	-	(3,219)
Accounts payable	-	7,597
Due to related parties	-	4,452
Deferred revenue	-	(42,530)
Statement of Revenue and expenditures impact		
Grants	-	70,704
Salaries and wages	-	10,722
Interest and bank charges	-	749
Facilities and equipment	-	11,311
Supplies and expenses	-	16,862
Statement of Changes in Net Assets impact		
Net Assets - Beginning of year	-	(3,797)
Excess of revenue over expenditures	-	31,059
Net assets - end of year	-	27,262

LAKESIDE CHILD CARE CENTRE
Notes to Financial Statements
Year Ended December 31, 2020

14. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.