COLLEGE OF EARLY CHILDHOOD EDUCATORS

FINANCIAL STATEMENTS

JUNE 30, 2017

HILBORN LLP

HILBORN LLP

Independent Auditor's Report

To the Council of the
College of Early Childhood Educators

We have audited the accompanying financial statements of the College of Early Childhood Educators, which comprise the statement of financial position as at June 30, 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 organization'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 organization'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 the College of Early Childhood Educators as at June 30, 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.

Comparative Financial Statements
The comparative financial statements were audited by another firm of Chartered Professional Accountants who expressed an unmodified opinion in their Independent Auditor's Report dated October 20, 2016.

Hilborn LLP

Toronto, Ontario
October 19, 2017

Chartered Professional Accountants
Licensed Public Accountants

COLLEGE OF EARLY CHILDHOOD EDUCATORS

Statement of Financial Position

At June 30	2017	2016 *(notes 2 and 12)*
	$	**$**
ASSETS		
Current assets		
Cash and cash equivalents (note 4)	**9,370,772**	8,597,015
Accounts receivable	**39,411**	37,218
Prepaid expenses	**104,948**	122,577
	9,515,131	8,756,810
Property and equipment (note 5)	**622,169**	739,062
Intangible assets (note 6)	**41,955**	267,143
	664,124	1,006,205
	10,179,255	9,763,015
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	**1,936,826**	1,169,779
Deferred revenue	**4,443,537**	4,334,747
	6,380,363	5,504,526
Deferred lease incentives (note 9)	**15,113**	22,549
	6,395,476	5,527,075
NET ASSETS		
Invested in property and equipment and intangible assets	**664,124**	1,006,205
Internally restricted for professional regulation (note 10)	**750,000**	-
Unrestricted	**2,369,655**	3,229,735
	3,783,779	4,235,940
	10,179,255	9,763,015

The accompanying notes are an integral part of these financial statements

Approved on behalf of Council:

President S. Charlene Gilgan RECE

Vice-President [illegible], RECE

COLLEGE OF EARLY CHILDHOOD EDUCATORS

Statement of Operations

Year ended June 30	2017 $	2016 *(notes 2 and 12)* $
Revenues		
Registration and application fees	**8,172,753**	7,760,830
Investment income	**58,986**	56,317
Other	**8,540**	62,036
	8,240,279	7,879,183
Expenses		
Personnel	**4,507,637**	3,928,695
Professional regulation	**917,397**	808,660
Operations (note 11)	**849,605**	761,547
Rent (note 9)	**726,154**	785,788
Information technology	**425,275**	402,856
Council and committees	**328,748**	257,110
Professional fees	**216,250**	264,880
Communication and stakeholder relations	**181,950**	277,793
Consulting	**179,478**	245,399
Amortization of property and equipment	**127,614**	119,245
Amortization of intangible assets	**18,889**	20,305
	8,478,997	7,872,278
Excess of revenues over expenses (expenses over revenues) before other expenses	**(238,718)**	6,905
Other expenses		
Loss on disposal of property and equipment (note 5)	**-**	307
Intangible asset write-off (note 6)	**213,443**	-
	213,443	307
Excess of revenues over expenses (expenses over revenues) for the year	**(452,161)**	6,598

The accompanying notes are an integral part of these financial statements

COLLEGE OF EARLY CHILDHOOD EDUCATORS

Statement of Changes in Net Assets

Year ended June 30

	Invested in property and equipment and intangible assets $	Internally restricted for professional regulation (note 10) $	Unrestricted $	Total 2017 $
Balance, beginning of year	1,006,205	-	3,229,735	**4,235,940**
Excess of expenses over revenues for the year	(359,946)	-	(92,215)	**(452,161)**
Purchase of property and equipment and intangible assets	17,865	-	(17,865)	-
Inter-fund transfer (note 10)	-	750,000	(750,000)	-
Balance, end of year	664,124	750,000	2,369,655	**3,783,779**

	Invested in property and equipment and intangible assets $	Internally restricted for professional regulation (note 10) $	Unrestricted $	Total 2016 *(note 2)* $
Balance, beginning of year	1,074,520	-	3,154,822	4,229,342
Excess of revenues over expenses (expenses over revenues) for the year	(139,896)	-	146,494	6,598
Purchase of property and equipment and intangible assets	71,581	-	(71,581)	-
Balance, end of year	1,006,205	-	3,229,735	4,235,940

The accompanying notes are an integral part of these financial statements

COLLEGE OF EARLY CHILDHOOD EDUCATORS

Statement of Cash Flows

Year ended June 30	2017	2016 *(note 2)*
	$	$
Cash flows from operating activities		
Excess of revenues over expenses (expenses over revenues) for the year	**(452,161)**	6,598
Adjustments to determine net cash provided by (used in) operating activities		
Amortization of property and equipment	**127,614**	119,245
Amortization of intangible assets	**18,889**	20,305
Amortization of deferred lease incentives	**(7,436)**	(7,436)
Loss on disposal of property and equipment	**-**	307
Intangible asset write-off	**213,443**	-
	(99,651)	139,019
Change in non-cash working capital items		
Decrease (increase) in accounts receivable	**(2,193)**	3,952
Decrease in prepaid expenses	**17,629**	5,330
Increase in accounts payable and accrued liabilities	**767,047**	507,733
Increase in deferred revenue	**108,790**	145,987
	791,622	802,021
Cash flows from investing activities		
Purchase of property and equipment	**(10,721)**	(71,581)
Proceeds on disposal of property and equipment	**-**	39
Purchase of intangible assets	**(7,144)**	-
	(17,865)	(71,542)
Net change in cash and cash equivalents	**773,757**	730,479
Cash and cash equivalents, beginning of year	**8,597,015**	7,866,536
Cash and cash equivalents, end of year	**9,370,772**	8,597,015

The accompanying notes are an integral part of these financial statements

June 30, 2017

Nature and description of the organization

The College of Early Childhood Educators (the "College") was incorporated as a non-share capital corporation under the Early Childhood Educators Act, 2007 ("ECEA"). As the regulator and governing body of the early childhood educator profession in Ontario, the College's major function is to administer the ECEA, in the public interest.

The College is a not-for-profit organization, as described in Section 149(1)(l) of the Income Tax Act, and therefore is not subject to income taxes.

1. **Significant accounting policies**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) **Revenue recognition**

Registration fees

Registration fees are recognized as revenue proportionately over the fiscal year to which they relate. The registration year of each member is relative to their initial registration date. Registration fees received in advance of the registration year to which they relate are recorded as deferred revenue.

Application fees

Application fees are recognized as revenue upon the completion of application assessments. Application fees received in advance of the completion of application assessments are recorded as deferred revenue.

Investment income

Investment income comprises interest from cash and cash equivalents. Revenue is recognized on an accrual basis. Interest on cash equivalents is recognized over the terms of the investments using the effective interest method.

(b) **Cash and cash equivalents**

Cash and cash equivalents consist of cash and term deposits which are readily convertible into cash, are not subject to significant risk of changes in value and have a maturity date of twelve months or less from the date of acquisition.

1. **Significant accounting policies (continued)**

(c) **Property and equipment**

The costs of property and equipment are capitalized upon meeting the criteria for recognition as a property and equipment, otherwise, costs are expensed as incurred. The cost of property and equipment comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

Property and equipment are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization is provided for, upon commencement of the utilization of the assets, using the straight-line method at rates designed to amortize the cost of property and equipment over their estimated useful lives. The annual amortization rates are as follows:

Furniture and fixtures	10 years
Computer equipment	5 years

Amortization of leasehold improvements is recorded on a straight-line basis over the remaining term of the respective lease.

Property and equipment 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, the amount of the impairment is quantified by comparing the carrying value of the property and equipment to its fair value. Any impairment of the property and equipment is recognized in income in the year in which the impairment occurs.

An impairment loss is not reversed if the fair value of the property and equipment subsequently increases.

(d) **Intangible assets**

The costs of intangible assets are capitalized upon meeting the criteria for recognition as an intangible asset, otherwise, costs are expensed as incurred. The cost of a separately acquired intangible asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization is provided for using the straight-line method, upon commencement of the utilization of the assets, at rates designed to amortize the cost of the intangible assets over their estimated useful lives. The annual amortization rates is as follows:

Computer application software	5 years

1. **Significant accounting policies (continued)**

(d) **Intangible assets (continued)**

An intangible 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, the amount of the impairment is quantified by comparing the carrying value of the intangible asset to its fair value. Any impairment of the intangible asset is recognized in income in the year in which the impairment occurs.

An impairment loss is not reversed if the fair value of the intangible asset subsequently increases.

(e) **Financial instruments**

Measurement of financial assets and liabilities

The College initially measures its financial assets and financial liabilities at fair value adjusted by the amount of transaction costs directly attributable to the instrument.

The College subsequently measures all its financial assets and financial liabilities at amortized cost.

Amortized cost is the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

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.

Impairment

At the end of each reporting period, the College assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Objective evidence of impairment includes observable data that comes to the attention of the College, including but not limited to the following events: significant financial difficulty of the issuer; a breach of contract, such as a default or delinquency in interest or principal payments; and bankruptcy or other financial reorganization proceedings.

When there is an indication of impairment, the College determines whether a significant adverse change has occurred during the year in the expected timing or amount of future cash flows from the financial asset.

When the College identifies a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it reduces the carrying amount of the financial asset to the greater of the following:

1. **Significant accounting policies (continued)**

(e) **Financial instruments (continued)**

Impairment (continued)

- the present value of the cash flows expected to be generated by holding the financial asset discounted using a current market rate of interest appropriate to the financial asset; and
- the amount that could be realized by selling the financial asset at the statement of financial position date.

Any impairment of the financial asset is recognized in income in the year in which the impairment occurs.

When the extent of impairment of a previously written-down financial asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement, but not in excess of the impairment loss. The amount of the reversal is recognized in income in the year the reversal occurs.

(f) **Deferred lease incentives**

Lease incentives received include tenant inducements received in cash.

Lease incentives received in connection with original leases are amortized to income on a straight-line basis over the terms of the original leases. Lease incentives received in connection with re-negotiated leases are amortized to income on a straight-line basis over the period from the expiration date of the original lease to the expiration date of the re-negotiated lease.

(g) **Management estimates**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current year. Actual results may differ from these estimates, the impact of which would be recorded in future years.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

2. **Prior period adjustments**

The following matters were adjusted with retrospective application to the prior year. The impact of the adjustments described below, to the financial statements, is summarized following the narrative.

Obligations in respect of professional regulation

The responsibilities borne by the College as required by the ECEA in regulating the early childhood educator profession include investigating and resolving complaints and disciplinary matters brought forward by both members of the public and those within the profession. In previous years, the College had not recorded or otherwise disclosed the liabilities associated with the obligations to perform these investigations and resolve these reported matters.

The obligations associated with the resolution of complaints and disciplinary matters are now recognized in the year the complaint is received.

As a result, the College has recorded a prior period adjustment to recognize accounts payable and accrued liabilities of $552,081, professional regulation expenses of $266,668, council and committee expenses of $24,177 and an opening unrestricted net asset reduction of $261,236.

Deferred application fees

The College collects application fees in advance of application assessments. In previous years, the College had not recorded or otherwise disclosed the deferred revenue associated with applications under assessment.

Application fees received in advance of the completion of application assessments are now recorded as deferred revenue.

As a result, the College has recorded a prior period adjustment to recognize deferred revenue of $110,625, registration and applications revenue of $11,475, and an opening unrestricted net asset reduction of $122,100

Amortization of intangible assets not ready for use

In previous years, the College recorded amortization of intangible assets for which utilization had not yet commenced.

Amortization of property and equipment is now recognized upon commencement of the utilization of the assets.

As a result, the College has recorded a prior period adjustment to reverse accumulated amortization of intangible assets of $75,891, reduce amortization of intangible assets expense of $42,689, and an opening net assets invested in property and equipment and intangible assets increase of $33,202.

The impact of the adjustments are summarized below.

2. **Prior period adjustments (continued)**

June 30, 2016	**Previously reported** $	**Adjustments** $	**Restated** $
Statement of financial position			
Intangible assets	191,252	75,891	267,143
Accounts payable and accrued liabilities	617,698	552,081	1,169,779
Deferred revenue	4,224,122	110,625	4,334,747
Statement of operations			
Registration and application fees	7,749,355	11,475	7,760,830
Amortization of intangible assets	62,994	(42,689)	20,305
Professional regulation	541,992	266,668	808,660
Council and committees	232,933	24,177	257,110
Statement of changes in net assets			
Invested in property and equipment and intangible assets	930,314	75,891	1,006,205
Unrestricted	3,892,441	(662,706)	3,229,735

July 1, 2015	**Previously reported** $	**Adjustments** $	**Restated** $
Statement of changes in net assets			
Invested in property and equipment and intangible assets	1,041,318	33,202	1,074,520
Unrestricted	3,538,159	(383,337)	3,154,822

The impact of the adjustments upon balances included within the statement of operations for the year ended June 30, 2016 are summarized below:

	$
Previously presented excess of revenues over expenses for the year	243,278
Accrual for professional regulation	(290,844)
Deferral of application fees	11,475
Amortization of intangible assets	42,689
Excess of revenues over expenses for the year as restated	6,598

2. Prior period adjustments (continued)

The impact of the adjustments upon the opening balances included within the statement of changes in net assets for the year ended June 30, 2016 are summarized below:

	Invested in property and equipment and intangible assets $	Unrestricted $
Previously presented	930,314	3,892,441
Accrual for professional regulation	-	(552,081)
Deferral of application fees	-	(110,625)
Amortization of intangible assets	75,891	-
As restated	1,006,205	3,229,735

3. Financial instrument risk management

The College is exposed to various risks through its financial instruments. The following analysis provides a measure of the College's risk exposure and concentrations.

The financial instruments of the College and the nature of the risks to which those instruments may be subject, are as follows:

	Risks				
			Market risk		
Financial instrument	Credit	Liquidity	Currency	Interest rate	Other price
Cash and cash equivalents	X			X	
Accounts receivable	X				
Accounts payable and accrued liabilities		X			

3. **Financial instrument risk management (continued)**

Credit risk

The College is exposed to credit risk resulting from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party, or if there is a concentration of financial obligations which have similar economic characteristics that could be similarly affected by changes in economic conditions, such that the College could incur a financial loss. The College does not hold directly any collateral as security for financial obligations of counterparties.

The maximum exposure of the College to credit risk is as follows:

	2017 $	2016 $
Cash and cash equivalents	9,370,772	8,597,015
Accounts receivable	39,411	37,218
	9,410,183	8,634,233

The College reduces its exposure to the credit risk of cash and cash equivalents by maintaining balances with a Canadian financial institution.

Liquidity risk

Liquidity risk is the risk that the College will not be able to meet a demand for cash or fund its obligations as they come due.

The College meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations and anticipated investing and financing activities, holding assets that can be readily converted into cash, and having available a demand operating facility as detailed in note 7.

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 is comprised of currency risk, interest rate risk and other price risk.

Currency risk

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in foreign exchange rates.

The College is not exposed to currency risk.

3. **Financial instrument risk management (continued)**

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instrument will fluctuate due to changes in market interest rates.

The College is exposed to interest rate risk on its cash and cash equivalents.

The College does not use derivative financial instruments to manage its exposure to interest rate risk.

Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

The College is not exposed to other price risk.

Changes in risk

There have been no significant changes in the risk profile of the financial instruments of the College from that of the prior year.

4. **Cash and cash equivalents**

	2017 $	2016 $
Cash	1,678,072	963,301
Term deposits	7,692,700	7,633,714
	9,370,772	8,597,015

June 30, 2017

5. Property and equipment

	Cost $	Accumulated Amortization $	2017 Net $
Furniture and fixtures	433,509	302,150	131,359
Computer equipment	200,338	139,408	60,930
Leasehold improvements	1,118,330	688,450	429,880
	1,752,177	1,130,008	622,169

	Cost $	Accumulated Amortization $	2016 Net $
Furniture and fixtures	425,940	258,972	166,968
Computer equipment	197,186	120,270	76,916
Leasehold improvements	1,118,330	623,152	495,178
	1,741,456	1,002,394	739,062

6. Intangible assets

	Cost $	Accumulated Amortization $	2017 Net $
Computer application software	317,746	275,791	41,955

	Cost $	Accumulated Amortization $	2016 Net $
Computer application software	524,045	256,902	267,143

During the year, the College determined that contract work for the development of an updated membership database could not be completed and the contract was cancelled. As a result, costs in the amount of $213,443 which were capitalized to computer application software in prior years were determined to no longer have any long-term service potential to the College and as such have been recognized in income in the current year.

June 30, 2017

7. Demand operating facility

The College has available a revolving demand operating facility up to a maximum of $1,000,000. The facility bears interest at prime plus 0.50% per annum and is secured by a general security agreement, assignment of fire insurance in the amount of $640,300, and business insurance in the amount of $5,000,000.

The facility was not drawn upon at June 30, 2017 and June 30, 2016.

8. Accounts payable and accrued liabilities

	2017 $	2016 $
Trade payables and accrued liabilities	871,289	578,924
Government remittances	50,529	38,774
Professional regulation	1,015,008	552,081
	1,936,826	1,169,779

9. Deferred lease incentives

	2017 $	2016 $
Balance, beginning of year	22,549	29,985
Amortization of deferred lease incentives	(7,436)	(7,436)
Balance, end of year	15,113	22,549

During the year, amortization of lease incentives in the amount of $7,436 (2016 - $7,436) was credited to rent expense.

10. Net assets internally restricted for professional regulation

The College makes best efforts to anticipate the costs associated with professional regulation matters based on past experience and current caseload. However, in the event that the College incurs costs beyond the normal scope of such matters, the Council of the College has internally restricted net assets to fund expenditures related to these matters.

The Council of the College internally restricted net assets in the current year in the amount of $750,000 (2016 - $nil) to meet the anticipated future requirements of professional regulation.

The internal restriction is subject to the direction of the Council upon the recommendation of the Finance and Audit Committee.

11. Operations

	2017 $	2016 $
Postage and courier	366,105	288,792
Printing	216,482	181,281
Bank and credit card charges	156,478	156,651
Office and general	110,540	134,823
	849,605	761,547

12. Commitment

The College is committed to lease its office premises until February 2024. The future annual lease payments, including an estimate of premises common area expenses, are as follows:

	$
2018	752,583
2019	755,366
2020	760,930
2021	769,277
2022	785,970
2023	785,970
2024	523,981
	5,134,077

13. Comparative amounts

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year excess of revenues over expenses.