COLLEGE OF EARLY CHILDHOOD EDUCATORS

FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018, 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, 2018, 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.

Hilborn LLP

Toronto, Ontario
October 24, 2018

Chartered Professional Accountants
Licensed Public Accountants

Statement of Financial Position

At June 30	2018 $	2017 $
ASSETS		
Current assets		
Cash and cash equivalents (note 3)	**8,137,496**	9,370,772
Accounts receivable	**145,163**	39,411
Prepaid expenses	**89,720**	104,948
	8,372,379	9,515,131
Capital assets (note 4)	**572,667**	622,169
Intangible assets (note 5)	**22,947**	41,955
	595,614	664,124
	8,967,993	10,179,255
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	**1,968,440**	1,936,826
Deferred revenue	**3,595,226**	4,443,537
	5,563,666	6,380,363
Deferred lease incentives (note 8)	**7,678**	15,113
	5,571,344	6,395,476
NET ASSETS		
Invested in capital and intangible assets	**595,614**	664,124
Internally restricted (note 9)	**750,000**	750,000
Unrestricted	**2,051,035**	2,369,655
	3,396,649	3,783,779
	8,967,993	10,179,255

The accompanying notes are an integral part of these financial statements

Approved on behalf of Council:

President S. Alpiane Edgar RECE

Vice-President S. Alpine, RECE

COLLEGE OF EARLY CHILDHOOD EDUCATORS

Statement of Operations

Year ended June 30	2018 $	2017 $
Revenues		
Registration and application fees	**8,487,463**	8,172,753
Investment income	**85,553**	58,986
Other	**18,740**	8,540
	8,591,756	8,240,279
Expenses		
Personnel	**5,255,766**	4,507,637
Professional regulation	**1,328,027**	917,397
Operations (note 10)	**589,201**	849,605
Rent (note 8)	**722,758**	726,154
Information technology	**455,640**	425,275
Council and committees	**202,503**	328,748
Professional fees	**114,685**	216,250
Communication and stakeholder relations	**100,380**	181,950
Consulting	**47,032**	179,478
Amortization of capital assets	**129,777**	127,614
Amortization of intangible assets	**19,008**	18,889
	8,964,777	8,478,997
Excess of expenses over revenues before other expenses	**(373,021)**	(238,718)
Other expenses		
Loss on disposal of capital assets (note 4)	**14,109**	-
Intangible asset write-off (note 5)	**-**	213,443
	14,109	213,443
Excess of expenses over revenues for year	**(387,130)**	(452,161)

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 capital and intangible assets **$**	**Internally restricted** **$**	**Unrestricted** **$**	**Total 2018** **$**
Balance, beginning of year	664,124	750,000	2,369,655	**3,783,779**
Excess of expenses over revenues for year	(162,894)	-	(224,236)	**(387,130)**
Purchase of capital and intangible assets	94,384	-	(94,384)	**-**
Balance, end of year	595,614	750,000	2,051,035	**3,396,649**

	Invested in capital and intangible assets **$**	**Internally restricted** **$**	**Unrestricted** **$**	**Total 2017** **$**
Balance, beginning of year	1,006,205	-	3,229,735	4,235,940
Excess of expenses over revenues for year	(359,946)	-	(92,215)	(452,161)
Purchase of capital and intangible assets	17,865	-	(17,865)	-
Internally imposed restriction (note 9)	-	750,000	(750,000)	-
Balance, end of year	664,124	750,000	2,369,655	3,783,779

The accompanying notes are an integral part of these financial statements

COLLEGE OF EARLY CHILDHOOD EDUCATORS

Statement of Cash Flows

Year ended June 30	2018 $	2017 $
Cash flows from operating activities		
Excess of expenses over revenues for year	**(387,130)**	(452,161)
Adjustments to determine net cash provided by (used in) operating activities		
Amortization of capital assets	**129,777**	127,614
Amortization of intangible assets	**19,008**	18,889
Amortization of deferred lease incentives	**(7,435)**	(7,436)
Loss on disposal of capital assets	**14,109**	-
Intangible asset write-off	**-**	213,443
	(231,671)	(99,651)
Change in non-cash working capital items		
Increase in accounts receivable	**(105,752)**	(2,193)
Decrease in prepaid expenses	**15,228**	17,629
Increase in accounts payable and accrued liabilities	**31,614**	767,047
Increase (decrease) in deferred revenue	**(848,311)**	108,790
	(1,138,892)	791,622
Cash flows from investing activities		
Purchase of capital assets	**(94,384)**	(10,721)
Purchase of intangible assets	**-**	(7,144)
	(94,384)	(17,865)
Net change in cash and cash equivalents	**(1,233,276)**	773,757
Cash and cash equivalents, beginning of year	**9,370,772**	8,597,015
Cash and cash equivalents, end of year	**8,137,496**	9,370,772

The accompanying notes are an integral part of these financial statements

June 30, 2018

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

The registration year of each member commences with their initial registration date. Registration fees are recognized as revenue in the fiscal year to which they relate. Registration fees received in advance of the fiscal 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) **Capital assets**

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

Capital assets 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 the capital assets 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 provided for on a straight-line basis over the remaining term of the lease.

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, the amount of the impairment is quantified by comparing the carrying value of the capital asset to its fair value. Any impairment of the capital 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 capital asset 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 year, 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 comprise 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 recognized 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. **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			

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:

	2018	**2017**
	$	**$**
Cash and cash equivalents	8,137,496	9,370,772
Accounts receivable	145,163	39,411
	8,282,659	9,410,183

The College reduces its exposure to the credit risk of cash and cash equivalents by maintaining balances with a Schedule 1 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 maintaining a demand operating facility as detailed in note 6.

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

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.

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 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.

3. **Cash and cash equivalents**

	2018 **$**	**2017** **$**
Cash	866,970	1,678,072
Term deposits	7,270,526	7,692,700
	8,137,496	9,370,772

The term deposits have effective interest rates ranging from 1.30% to 1.75% (2017 - 0.80%), with maturity dates ranging from July 2018 to May 2019 (2017 - July 2017 to September 2017).

4. **Capital assets**

	Cost $	Accumulated Amortization $	2018 Net $
Furniture and fixtures	424,975	292,169	132,806
Computer equipment	163,203	87,924	75,279
Leasehold improvements	1,118,330	753,748	364,582
	1,706,508	1,133,841	572,667

	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

During the current year, capital assets with a cost of $140,053 and accumulated amortization of $125,944 were disposed of for $nil proceeds. A loss on disposal of $14,109 is recorded in the statement of operations.

5. **Intangible assets**

	Cost $	Accumulated Amortization $	2018 Net $
Computer application software	317,746	294,799	22,947

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

During the prior 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 were recognized as an intangible asset write-off.

June 30, 2018

6. **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% 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, 2018 or June 30, 2017.

7. **Accounts payable and accrued liabilities**

	2018 $	**2017** $
Trade payables and accrued liabilities	534,735	871,289
Accrued liabilities - professional regulation	1,362,752	1,015,008
Government remittances	70,953	50,529
	1,968,440	1,936,826

8. **Deferred lease incentives**

	2018 $	**2017** $
Balance, beginning of year	15,113	22,549
Amortization	(7,435)	(7,436)
Balance, end of year	7,678	15,113

Amortization of lease incentives in the amount of $7,435 (2017 - $7,436) was credited to rent expense in the current year.

9. **Net assets internally restricted**

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 address these matters.

During the prior year, Council internally restricted net assets in the amount of $750,000 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.

June 30, 2018

10. **Operations**

	2018 $	2017 $
Postage and courier	262,641	366,105
Printing	57,179	216,482
Bank and credit card charges	146,143	156,478
Office and general	123,239	110,540
	589,202	849,605

11. **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:

	$
2019	758,951
2020	764,515
2021	772,862
2022	789,556
2023	789,556
2024	526,370
	4,401,810

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