

**ASSOCIATION OF EARLY CHILDHOOD
EDUCATORS, ONTARIO
FINANCIAL STATEMENTS
MARCH 31, 2018**

ASSOCIATION OF EARLY CHILDHOOD EDUCATORS, ONTARIO

MARCH 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Members of
The Association of Early Childhood Educators, Ontario

I have audited the accompanying financial statements of The Association of Early Childhood Educators, Ontario which comprise the statement of financial position as at March 31, 2018 and the statements of operations and changes in net assets and statement of 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 generally accepted 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian auditing standards for not-for-profit organizations. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audit is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of The Association of Early Childhood Educators, Ontario as at March 31, 2018 and the results of its operations and cash flows for the year ended in accordance with Canadian accounting standards for not-for-profit organizations.

**JEFFREY D. MILGRAM PROFESSIONAL CORPORATION
Authorized to practise public accounting by
The Institute of Chartered Professional Accountants of Ontario**

**TORONTO, ONTARIO
JUNE XX, 2018**

ASSOCIATION OF EARLY CHILDHOOD EDUCATORS, ONTARIO
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2018

	<u>2018</u> \$	<u>2017</u> \$
Balance, beginning of year	(49,537)	(64,796)
Net excess revenues over expenses for the year	<u>3,052</u>	<u>15,259</u>
Balance, end of year	<u>(46,485)</u>	<u>(49,537)</u>

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

ASSOCIATION OF EARLY CHILDHOOD EDUCATORS, ONTARIO
STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
REVENUES		
Donations (Note 6)	2,350	5,236
Equivalency fees	25	25
Fundraising and sundry revenue	18,968	19,060
Grants (Note 5)	60,896	87,098
Interest income	125	2,234
Membership fees	122,075	129,851
Publications and promotions	13,050	13,575
Member events (Note 7)		
• Conference(s)	-	6,686
• Workshop(s) and sundry	<u>3,440</u>	<u>2,054</u>
	<u>220,929</u>	<u>265,819</u>
EXPENDITURES		
Administrative		
Bank charges and other fees	4,529	5,029
Equipment purchases, repairs and rentals	4,092	2,511
Insurance	3,760	3,779
Office rent (Note 8)	33,348	33,869
Postage, stationery and supplies	1,966	2,122
Printing and promotions	10,030	11,755
Professional fees	5,250	5,958
Salaries and benefits	142,965	149,312
Telephone	2,616	2,598
Travel and meetings	<u>2,564</u>	<u>713</u>
	211,120	217,646
Less: Overhead expense recoveries (Note 8)	24,143	24,392
Program recoveries (Note 9)	<u>24,862</u>	<u>32,041</u>
	<u>162,115</u>	<u>161,213</u>
Programs		
Ontario Trillium Foundation (recovery) (Note 5)	(120)	45,248
Atkinson (Note 5)	55,562	41,850
Membership	<u>320</u>	<u>2,249</u>
	<u>55,762</u>	<u>89,347</u>
	<u>217,877</u>	<u>250,560</u>
NET EXCESS REVENUE OVER EXPENSES		
FOR THE YEAR	<u><u>3,052</u></u>	<u><u>15,259</u></u>

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

ASSOCIATION OF EARLY CHILDHOOD EDUCATORS, ONTARIO
STATEMENT OF CHANGES IN CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
FUNDS USED BY OPERATIONS		
Operating activities		
Net excess revenues over expenses for the year	3,052	15,259
Less: non-cash item - deferred revenue	<u>(108,908)</u>	<u>(118,659)</u>
	(105,856)	(103,400)
Changes in non-cash operating elements of working capital	<u>25,738</u>	<u>(9,310)</u>
CASH USED BY OPERATING ACTIVITIES	<u>(80,118)</u>	<u>(112,710)</u>
FINANCING ACTIVITIES		
Deferred contributions	<u>136,012</u>	<u>108,908</u>
CASH PROVIDED BY FINANCING ACTIVITIES	<u>136,012</u>	<u>108,908</u>
NET INCREASE (DECREASE) IN CASH	55,894	(3,802)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>73,346</u>	<u>77,148</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>129,240</u>	<u>73,346</u>

Cash and Cash Equivalents:

Cash and cash equivalents consist of the following holdings at year end:

	<u>2018</u>	<u>2017</u>
	\$	\$
Cash – cash on hand	8	8
Cash – deposits held in Canadian Banks	<u>129,232</u>	<u>73,338</u>
	<u>129,240</u>	<u>73,346</u>

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

ASSOCIATION OF EARLY CHILDHOOD EDUCATORS, ONTARIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

1. Operations and Accounting Framework

Operations

The Association of Early Childhood Educators, Ontario (AECEO) is a professional association for early childhood educators in Ontario.

Accounting Framework

The Organization prepares its financial statements in accordance with the Chartered Professional Accountants of Canada (CPA, Canada) (formerly the Institute of Chartered Accountants (CICA)) Handbook, Part III, Canadian accounting standards for not-for-profit organizations (ASNPO).

Mission Statement

The AECEO's mission is to serve and act on behalf of early childhood educators in Ontario by:

- Supporting the professional growth of early childhood educators through the provision of ongoing professional development, training and best practices;
- Advocating on behalf of the profession;
- Promoting and supporting quality early learning and care as an integral part of a child's healthy development;
- Disseminating research, educational resources and topical information about early learning and care to the public, governments and other related professionals;
- Coordinating opportunities for communication and networking among early childhood educators and others interested in early childhood education and care;
- Promoting and supporting research and advancement in the field of early childhood education and care;
- Building capacity and leadership between the profession, communities and stakeholder groups to advocate for children and families; and,
- Making known to parents and the general public the value and importance of early childhood education and early childhood educators.

2. Significant Accounting Policies

The accounting policies of the organization are in accordance with Canadian accounting standards for not-for-profit organizations applied on a basis consistent with that of the preceding year. Outlined below are those policies considered particularly significant.

ASSOCIATION OF EARLY CHILDHOOD EDUCATORS, ONTARIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

2. Significant Accounting Policies – Continued

Basis of Accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Cash and Cash Equivalents

Cash and equivalents include cash on hand, current bank deposits, and investment deposits with a maturity of 90 days or less from the date of the year end.

Investments

Short term investments include investments with a maturity date of more than 90 days from the year end date but less than one year to maturity. Long term investments include those investments with a maturity date in excess of one year from the year end date.

It is the policy of management to immediately dispose of any equity investment donated to the Organization. Funds generated by investment dispositions and surplus funds are invested in conservative investment vehicles approved by the organization's investment committee.

Income Recognition

The Association 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.

Revenues generated from memberships, programs and conference are recognized as revenue as received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest is recognized as earned. Capital gains and losses are recognized on the settlement date of the transaction, or, for unrealized gains and losses, periodically at year end by an adjustment to fair value which is included in the determination of net income.

Government assistance received towards continuing operations is included in the determination of revenue for the year.

ASSOCIATION OF EARLY CHILDHOOD EDUCATORS, ONTARIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

2. Significant Accounting Policies – Continued

Capital Assets

Capital assets purchased in excess of \$5,000, are recorded at cost and are depreciated at rates sufficient to amortize the cost of the asset over their estimated useful lives.

Assets not in excess of \$5,000 are written off to operations in the year of acquisition.

Estimates

The preparation of these financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Any variations between these estimates and actual amounts are not expected to materially affect the reported amounts, unless otherwise disclosed. During the year, management exercised its judgment in the estimation of the fair market valuation of investments held at year end, prepaid insurance costs, and certain liability accruals.

Contributed Services

The work of the Association is partially dependent on the voluntary service of its members. Since these services are not normally purchased by the Association, and because of the difficulty of determining their fair value, the value of donated volunteer services is not recognized in these statements.

Financial Assets and Financial Liabilities

(i) Measurement of financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are based on public stock exchange transactions in an active market, which are measured at fair value. Changes in fair value are recognized in the statements of operations in the period incurred. Financial assets measured at amortized cost include cash, trade and sundry amounts receivable, and fixed income investments. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

ASSOCIATION OF EARLY CHILDHOOD EDUCATORS, ONTARIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

2. Significant Accounting Policies – Continued

Financial Assets and Financial Liabilities - Continued

(ii) Impairment

At the end of each reporting period, the Organization 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 Organization, including but not limited to the following events: significant financial difficulty of the issuer; a breach of contract, bankruptcy or other financial indicators indicating distress relating to the item valued.

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

When the Organization 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 asset to the highest of the following:

- a) the present value of the cash flows expected to be generated by holding the asset discounted using a current market rate of interest appropriate to the asset;
- b) the amount that could be realized by selling the asset at the statement of financial position date; and
- c) the amount the Organization expects to realize by exercising its rights to any collection action less the costs necessary to exercise those actions.

When the Organization determines an adjustment to the carrying value is required, the carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the reduction is recognized as an impairment loss in the statements of operations. When the extent of impairment of a previously written-down 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, directly or by adjusting the allowance account. The amount of the reversal is recognized in the statements of operations in the period the reversal occurs.

ASSOCIATION OF EARLY CHILDHOOD EDUCATORS, ONTARIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

2. Significant Accounting Policies – Continued

Income Tax Status

The Association is registered as a charitable organization for income tax purposes and therefore qualifies for tax-exempt status under paragraph 149(1)(f) of the Income Tax Act (Canada).

3. Trust Funds

Branch - The Provincial office held, at year end, a residual balance of trust funds of \$356 (2017 - \$356) for dormant branches. During the 2013 fiscal year, internal policy changes resulted in the closure of all branch bank accounts and the cession of autonomous operations of the Association at the branch level; accordingly, effective with the 2013 fiscal period, all operations are centrally administered by the Provincial head office which has assumed responsibility for the branch activities previously administered at the regional level. Funds received by the head office in a previous year from the closure of the Branch bank accounts represents previously unrecognized revenue at the Provincial level and in accordance with policy, was recognized as revenue in the year received by the head office as a Branch contribution. With the closure of the branch bank accounts, any residual funds held in trust will eventually be absorbed into general operations as management and Board use these funds to finance current and future educational venues at the local branch level.

Math Workshop – These trust funds pertain to third party operating funds administered for the "Math Network"; an independent and unrelated organization with similar goals as the Association. As trustee, the Association releases funds upon proof of expenditure by the Organization on behalf of its funding agency. As at the year end date, the Association held \$11,424 in trust for the Math Network (2016 - \$411).

4. Deferred Contributions

	<u>2018</u>	<u>2017</u>
	\$	\$
SECD workshop registration fees	970	4,066
Membership revenue	64,494	62,323
Grant – Atkinson (Note 5)	<u>70,548</u>	<u>42,519</u>
	<u>136,012</u>	<u>108,908</u>

ASSOCIATION OF EARLY CHILDHOOD EDUCATORS, ONTARIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

5. Grants

In any particular year, the organization operates one or more programs that receive both private and government funding. The details below summarize the revenue, expenditures and calculation of the deferred revenue for each of the programs conducted in the fiscal years 2016-2017 and 2017-2018 along with the results of general operations for the year.

Program Grants' Summary

(i) Ontario Trillium Foundation

	<u>2018</u>	<u>2017</u>
	\$	\$
	<u>Revenue</u>	<u>Revenue</u>
	\$	\$
Program operations:	<u>—</u>	<u>45,248</u>
Program continuity:	<u>2018</u>	<u>2017</u>
	\$	\$
Deferred revenue, beginning of year	-	20,398
Funding revenue received during the year	<u>—</u>	<u>24,850</u>
	-	45,248
Expenditures		
Salaries and others	-	(9,800)
Conference expenditures	<u>—</u>	<u>(35,448)</u>
Deferred revenue, end of year	<u>—</u>	<u>—</u>

(ii) Atkinson Foundation – Decent Work Fund

	<u>2018</u>	<u>2017</u>
	\$	\$
	<u>Revenue</u>	<u>Revenue</u>
	\$	\$
Program operations:	<u>60,896</u>	<u>41,850</u>

ASSOCIATION OF EARLY CHILDHOOD EDUCATORS, ONTARIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

5. Grants – Continued

(ii) Atkinson Foundation – Decent Work Fund - Continued

	<u>2018</u>	<u>2017</u>
	\$	\$
Deferred revenue, beginning of year	42,519	34,369
Grant funding revenue received during the year	80,900	50,000
Other funding revenue received during the year	2,691	-
Expenditures		
Salaries and others	(24,862)	(22,241)
Office and administration contribution	(30,700)	(19,609)
Deferred revenue, end of year	<u>70,548</u>	<u>42,519</u>

6. Donations

The following donations were received during the year:

	<u>2018</u>	<u>2017</u>
	\$	\$
Individuals	<u>2,350</u>	<u>5,236</u>

7. Member Events

The Association held the following conferences and member events; results are shown net of related expenditures:

	<u>2018</u>	<u>2017</u>
	\$	\$
Conference(s)		
Revenues	-	54,173
Expenditures (recovery)	<u>(120)</u>	<u>(47,487)</u>
	<u>(120)</u>	<u>6,686</u>
Workshop(s) and sundry		
Revenues	17,605	7,351
Expenditures	<u>(14,165)</u>	<u>(5,297)</u>
	<u>3,440</u>	<u>2,054</u>
	<u>8,120</u>	<u>8,740</u>

ASSOCIATION OF EARLY CHILDHOOD EDUCATORS, ONTARIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

8. Occupancy and Equipment Leases

The Organization's occupancy lease for rent at its head office location which ended on January 31, 2017 was renewed for a further three year term from February 1, 2017 to January 31, 2019. The lease provides for a minimum monthly lease commitment of \$2,013 base rent plus applicable taxes and a prorated share of common area costs.

Under a separate contractual arrangement, the AECEO has subleased a portion of the office location from which it realized rent recoveries of \$24,143 in fiscal 2018 (2017 - \$24,392).

Aggregate lease payments over the next year is as follows;

2019 - \$ 20,130

9. Allocated Expenses

During the 2017-18 fiscal year, the organization allocated a total of \$24,862 (2016-17 - \$32,041) of wage expenses to various programs conducted by the Organization. Allocations of the expenses were either in accordance with budgetary amounts allocated for the specific expenditure based on estimated time allocation and staff placement on an employee-by-employee basis.

10. Risk

Liquidity

The Organization manages its liquidity risk by monitoring actual and projected cash flows, from both operations and program activities, to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

While management recognizes that the Organization experienced losses in the years prior to fiscal 2015, they believe that the liquidity issues that existed at that time have been resolved; accordingly, management does not believe at this time, that it has a continued exposure to future liquidity risk as they expect that the Organization will meet its ongoing obligations on a timely basis and as they become due through the generation of membership revenues and grant funding.

ASSOCIATION OF EARLY CHILDHOOD EDUCATORS, ONTARIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

10. Risk -Continued

Other Risks

It is management's opinion that the Organization is not exposed to significant currency, credit, interest or market risks arising from the financial instruments held.

11. Comparative Figures

Certain comparative figures for the year ended March 31, 2017 have been have reclassified to conform to the current year's presentation format.