

2022 AUDIT GUIDELINES FOR AGENCIES

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Purpose and Overview

The purpose of these guidelines is to provide guidance to agencies that receive funding from the City of Toronto (the City) and are required to submit audited financial statements or a review engagement report, if eligible. The purpose of this document is to assist auditors (Licensed Public Accountants (LPA)), board members, management and bookkeepers with their understanding of the Toronto Children's Services (TCS) requirements regarding the submission of audited financial statements or review engagement reports. This guideline provides an additional resource to be used concurrently with the budget guidelines and other applicable funding application guidelines. It also provides information to agencies on how the financial statements are used by TCS.

This guideline is intended as a resource only and the Agency has sole responsibility for adequate use of this document. Additionally, while this document is intended for all agencies required to submit financial statements, there may be sections which do not apply to those agencies that only receive funding for Canada-Wide Early Learning & Child Care (CWELCC.) If you need clarification, you may contact your TCS Budget Consultant or Budget Coordinator.

What is an Audit?

An audit is an independent opinion on an Agency's financial statements, which enhances the confidence of stakeholders with reasonable assurance. Auditors perform a review and examination of financial records and activities including assessing risk, design procedures to assess risk and to draw conclusions on the adequacy of controls, ensuring compliance with established policies, and procedures are compliant, in general, within an established framework. This may often entail recommending necessary changes in controls, policies, or procedures to meet objectives. The auditor is an independent third party and is responsible to express an opinion on the audited financial statements based on their audit.

It is the responsibility of the Agency receiving funding from TCS to comply with our guidelines and terms and conditions of the funding agreement. TCS guidelines and funding agreement information should be communicated to the key stakeholders, including bookkeepers and LPAs by the Agency

What is a Review Engagement Report?

An Independent Practitioner's Review Engagement Report (RER) is an independent review of financial records to ensure the financial statements are free from material misstatement. The review engagement provides a meaningful level of assurance to ensure that amounts in the financial statements are plausible, whereas an audit provides a high level of assurance. The LPA is

responsible for expressing a conclusion on whether the financial statements are prepared in accordance with the applicable framework.

It is the responsibility of the Agency receiving funding from TCS to comply with our guidelines and terms and conditions of the funding agreement. TCS guidelines and funding agreement information is communicated to the LPA performing the review engagement by the Agency.

Hiring a Licensed Public Accountant (LPA)

It is the responsibility of the Agency to verify that the auditor selected has a valid license to perform audits and/or review engagements in Ontario. In Canada, only Licensed Public Accountants (LPAs) may issue Independent Audit or Review Engagement Reports.

You may visit the [CPA website](#) for accounting and assurance standards, searching for a LPA, or reporting concerns regarding a Chartered Public Accountant (CPA).

It is the responsibility of the Agency to ensure the appropriate financial statements are submitted to TCS and include signed opinion reports certified by an LPA.

Who must submit an Audited Financial Statement or Review Engagement to TCS?

In accordance with City policies and applicable Provincial guidelines, all centres are required to provide TCS with financial statements **within four (4) months** of the Agency's **fiscal year end** if they receive the following within a calendar year:

Financial Report Required	Program Type	Financial Threshold
Audited Financial Statement	<ul style="list-style-type: none"> • Canada-Wide Early Learning & Child Care (CWELCC) • EarlyON & Family Centres and Indigenous-Lead Child and Family Programs 	Audited Financial Statements are always required
	<p><i>Any single or combination that adds up to the Financial Threshold:</i></p> <ul style="list-style-type: none"> • Fee Subsidy • General Operating Funding (GOF) • Agency Operating Fund (AOF) 	\$30,000 per annum
	<p><i>Any single or combination that adds up to the Financial Threshold:</i></p> <ul style="list-style-type: none"> • Provincial Wage Enhancement (PWE) • 1999-2005 Pay Equity (PE) • Minor Capital / Health & Safety • TCS COVID-19 Related Funding Including: <ul style="list-style-type: none"> ○ Mandatory Closure ○ Extended Closure ○ Revenue Gap • Safe Restart Funding • Summer Day Funding (unaudited acceptable) • Every Child Belongs (Special Need Resourcing) Funding 	\$20,000 per annum
Review Engagement	<p><i>Agencies that <u>only</u> receive the following funding:</i></p> Provincial Wage Enhancement (PWE) and Home Child Care Enhancement Grant (HCCEG)	\$20,000 per annum

When a location is part of a larger Agency with more than one location or service, the funding thresholds outlined above are set at Agency level.

A review engagement is minimally required only for agencies who are eligible. An audited financial statement may be submitted as an alternative as it provides a higher level of assurance.

Important Note: Agencies who are unable to meet the audit submission deadline must submit an extension request in writing to their Children's Services Budget Consultant. The extension request

should include the reason for the extension as well as the anticipated submission deadline. Failure to submit the required statements in the specified format may result in sanctions being applied. This may include suspending the fee subsidy advance payment or holds on other payment types.

Requirement upon Termination of Service Agreement

In the event that a Service Agreement between the Agency and the City of Toronto is terminated, audited financial statements are required from the first day of the Agencies current fiscal year to the last day of operation. Terminations of Service Agreements are applicable for changes in control (including ownership changes) and corporate reorganizations, including such transactions as mergers and amalgamations. The final payment will be held until the audited financial statements for the period are received and analysed as well as any other outstanding reporting requirements, and it is determined that no overpayment has been made. As outlined in Subarticle 3.6 of the Service Agreement:

"Upon termination of this Agreement, the Agency shall reimburse forth-with to Toronto any monies advanced by Toronto which are not expended in accordance with this Agreement."

Agencies who were eligible to submit a review engagement report based on the amount and type of funding received would continue to have this requirement in the event of a closure. The report must be from the first day of the Agency's current fiscal year to the last day of operation.

Required Format for Audit or Review Engagement

Please note the following points below when creating financial statements:

- Agencies who received Canada-Wide Early Learning and Child Care (CWELCC) funding are required to present funding in a note disclosure to the audited financial statements. An example of the presentation format is illustrated in Appendix VI.
- All funding types received from TCS are to be reported separately from any other revenue sources (e.g., fee subsidy revenue, parent fees, general operating funding, grants, CWELCC Affordability, CWELCC Implementation, etc.).
- Expenses reported in the audited financial statements should be presented using the same categories listed in the budget submission; otherwise, agencies will be required to provide a separate report to reconcile the audit and the approved budget.
- The financial statements for agencies that have more than one location or program must include a breakdown of revenue and expenses by location and/or program for the current and previous fiscal years. Those agencies which operate in multiple jurisdictions, including but not exclusively in the City of Toronto, are also required to include audited financial statements or note disclosure which illustrate the surplus/deficit for the beginning and end of the year and may be required to provide net assets/retained earnings by location at the request of Toronto Children's Services.
- Agencies who received Provincial Wage Enhancement (PWE), Home Child Care Enhancement Grant (HCCEG), and/or 1999 – 2005 Pay Equity are required to present funding and expenditures in the note disclosure to the financial statements (audited or reviewed). If a note disclosure is not provided, then a special consideration report (formerly identified as special purpose report) must be submitted supplementing the financial information contained in (audited or reviewed) financial statement. The report must be signed by the same licensed public accountant verifying the funding has been used for the purpose(s) intended. The disclosure must be included as part of the Agency's financial statements reconciling grant and/or pay equity payments against actual expenditures. Example disclosure presented in Appendix II or refer to the Provincial Wage Enhancement Guidelines.
- For COVID-19 guidance, please see Appendix III, IV, V
- In accordance with the requirement stated above, the Agency's financial statements must provide a breakdown of staffing costs by reporting salary expenses and benefit expenses separately.
- The audited financial statements must be audited in accordance with Canadian Auditing Standards and the financial statements must be prepared using the appropriate accounting standards.

- The audit and review engagement must include four main statements (Statement of Financial Position/Balance Sheet, Statement of Operations/Income Statement, Statement of Change in Equity/Statement of Change in Net Assets and Cash Flow Statement) and note disclosures.
- The LPA is responsible to form an opinion (or a conclusion for a review engagement) on the financial statements and issue a report in compliance with Canadian Assurance Standards.
- Agencies will be required, by TCS, to revise and resubmit financial statements that do not comply with the Canadian Auditing Standards and/or the required format as outlined in these guidelines. Restatements will be at the Agency's expense which is not an eligible per diem expense.
- When an Agency receives a management letter from an LPA, the Agency is required to upload a copy of the management letter and a copy of management's written response to the LPA
- Alternative disclosure may be allowable in accordance within your Agency's financial framework. The financial disclosures must include the amounts of funds received, receivable or deferred for each type of funding for the fiscal year.

Qualified Audit Opinion

In cases where the LPA is unable to gather sufficient evidence for various aspects of the financial statements, a qualified or reservation opinion may be given due to the limitation of scope. Without sufficient verification of transactions, an LPA may be unable to issue an unqualified opinion.

TCS will review the qualification to determine whether the issues raised by the LPA comply with our guidelines. Any qualification may require further review by TCS and may result in sanctions applied from TCS to the Agency. TCS may request more information from the Agency during this subsequent review.

Sanctions and Penalties

For the City to effectively maintain our financial reporting obligations, it is imperative that agencies comply with business cycle timelines. TCS will implement sanctions and penalties for non-compliance with business cycle timelines. Agencies who fail to submit required financial statements, reports and other supporting documents on a timely basis may be subject to the following sanctions and penalties:

- Forfeit their funding increases or grant eligibility if no submission is received by budget/grant deadlines
- Payment Schedule adjusted from Quarterly Advances to Monthly Advances
- Payments suspended until issue is resolved

- Further sanctions including, but not limited to termination of the Service Agreement between the City of Toronto and the Agency, the recovery of funds, and no consideration for expansion of locations or service levels

Agency Responsibility

An Agency's Board of Directors and/or management has the responsibility for overseeing the Agency and its financial matters. This important duty of financial oversight encompasses a large scope of responsibilities including fulfilling reporting responsibilities, establishing compensation, approving the annual budget and expenditures, and monitoring revenue. The overall goal of the Board of Directors and/or management includes, but are not limited to:

- Establishing and ensuring the Agency's compliance with proper financial systems and controls;
- Regularly evaluating the Agency's financial health and viability;
- Ensuring compliance with the Service Agreement;
- Ensuring the Agency's compliance with the financial reporting obligations as per TCS budget and funding guidelines; and
- Ensuring that there is a signed contract in place prior to the commencement of any audit or review procedures that outlines the terms of the audit or review engagement, and that the Canadian Chartered Professional Accountant is a member, in good standing, and holds a valid Public Accounting License in Ontario (other Canadian jurisdictions are allowable).

For non-profit agencies, it is important that the Board composition should include some members that possess finance experience and that all Board Members possess enough financial literacy to understand basic terminology, read and evaluate financial statements, and be able to ask the right questions in determining the financial viability and compliance with the Service Agreement.

It is important to acknowledge that Agency Bookkeepers and Auditors have different roles and responsibilities within an Agency so that there is a segregation of duties:

- The Agency is responsible for the overall financial health, ongoing viability of the program/centre and all requirements of the Service Agreement;
- Bookkeepers (appointed by the Agency) are responsible for recording transactions;
- LPA / Auditor (appointed by the Agency) is an independent third party responsible for issuing an opinion on the financial statements.

It is important to appoint Bookkeepers and LPAs that have knowledge of Early Learning and Child Care, including EarlyON Services, CWELCC, sector funding mechanisms, as well as TCS Service Agreement and reporting requirements.

Agencies must ensure that the audited financial statement or review engagement report that is submitted to TCS is complete and signed. If the report is non-compliant, TCS may request that it is resubmitted at the Agency's expense which is not a per-diem coverable expense.

Agencies will be required to **revise and resubmit** audited financial statements that:

- Do not comply with Canadian Auditing Standards;
- Are not prepared based on the appropriate accounting standards;
- Are not completed by a Licensed Public Accountant;
- Are not in compliance with TCS Audit Guidelines and financial reporting requirements.

Approval of the Financial Statements

The audited financial statements or review engagement report must be signed by the Operator (for commercial agencies) or by two Signing Officers (for non-profit agencies). For non-profit agencies, the signing officers are members of the Board of Directors, which are listed on the Form 1, Schedule A – Ontario Corporation Initial Return/Notice of Change. The Supervisor or Executive Director is not a member of the Board of Directors and as such, their signatures are not acceptable.

Agencies are required to maintain an up-to-date Form 1 – Ontario Corporation and Schedule A, filed with the Ministry of Government Services. Please note that Children's Services may request agencies to provide a current copy of the Form 1 and Schedule A's as a part of the Agency review processes.

Non-profit agencies shall submit a copy of their Annual General Meeting (AGM) Minutes each year. The minutes shall include the approval of previous year's AGM minutes, approval or availability of previous years audited financial statements, election of the Board of Directors and appointment of the auditor.

Toronto Children's Services (TCS) Financial Statement Analysis

TCS uses the financial statements as a mechanism to ensure accountability for the use of public funds, which the City provides to agencies. The Agency shall use the funds provided only for the expenses that directly support the provision of child care and early year services and as outlined in the approved budget and program budget guidelines. Note that there are several different budget guidelines and they are individual by program type, i.e., Group Child Care, CWELCC, Home Child Care, EarlyON, Every Child Belongs (Special Needs Resourcing) as well as, guidelines for other

specific funding types, such as General Operating Funding (GOF), and Provincial Wage Enhancement (PWE). City funding must be used to provide services within the City of Toronto boundaries and are not permitted to support programs outside of the City of Toronto. Audited financial statements & review engagement reports provide TCS with independent (3rd party) verification on the use of public funds.

TCS also uses the financial statements to compare actual to budgeted revenue and expenses to support the following year's budget submission. Variances between budget and actuals (as per audited financial statements) provide TCS with useful information regarding changes that may have occurred during the year and identify areas where additional support/capacity building may be needed.

Analysis of financial statements entails a review by TCS of amounts reported in revenue and expense categories by the Agency compared to the approved budget or funding guidelines to ensure public funding has been used for the purpose for which it was provided. Audit analysis also includes a review of the financial health of an Agency and is used to determine any surplus/deficit and any potential recovery. Comparing budgeted amounts to the amounts in the audit will identify any significant variances requiring follow-up.

T4 Visit and Salary & Benefit Analysis

Salaries and benefit costs represent approximately 80% of expenses in child care and early year services, therefore specific detail is required related to this category and particular emphasis will be given to this area during TCS analysis. A review of T4s and analysis of salaries and benefits in the audited financial statements will highlight any of the following issues:

- Compliance with legislative requirements such as minimum wage
- Significant variances from T4s to budgeted salaries
- Any payments to staff (including but not limited to dividends and bonuses) as part of total compensation, which will be compared to budgeted salaries and maximum allowable salaries in the guidelines. Payments in excess of what has been approved in the budget or in excess of TCS salary maximum may result in a recovery
- Using General Operating Funding in accordance with guidelines and approved implementation plans. **Note:** Further information about the General Operating Funding (GOF) is detailed in the General Operating Funding Guidelines for Child Care Centres with a Service Agreement for Fee Subsidy on the website. The document includes definitions that will explain the GOF Funding component.
- Identify over/under-staffing or efficiencies or inefficiencies
- Composition between casual and permanent staff

- Reasonableness of central allocated administration in the budget compared to actual T4 for staff

If any issues or concerns about the use of public funding are noted during this analysis, TCS may request additional information from the Agency, and may apply sanctions, if there is a concern or evidence that funding has not been applied as approved.

During the performance of TCS financial statement and/or T4 analysis, additional information may be requested as per the Service Agreement, Section 5, REPORTS, 5.1 (e). Schedules reconciling T4 information to year-end financial statements, on a location-by-location basis and/or program, may be requested as well as other documentation, as required.

Prescribed use of City Funding

The City of Toronto, through Children's Services, is accountable, through legislation, for the funding and the policy decisions that determine funding for agencies. Given their key role in providing and supporting child care and early year services, agencies have important accountabilities to the community and the City. A basis of the child care system is the principle that agencies have a responsibility to ensure the effective use of City Funding and of other funding agencies, where applicable. Thoughtful, transparent budgeting, aligned with a focused strategy, is vital and integral to this goal.

Where applicable, agencies who have a contract with TCS are not permitted to distribute public funding to any individuals or corporations, that do not directly support the provision of child care and early year services as approved in the annual budget submission. Allowable operating surpluses are expected to be retained for future use for child care and early year services and are not to be transferred to other corporations or entities.

Although certain transactions may be presented in accordance with appropriate accounting standards in the Agency's financial statements, and comply with Provincial or Federal legislation governing commercial or not-for-profit corporations, funding must be used in accordance with the terms of the Service Agreement Subarticle 4.2 as stated:

"The Agency shall use the funds provided by Toronto pursuant to Subarticle 4.1 only for the specific purpose for which the funds are provided, and in accordance with the budget submitted by the Agency."

Transactions not funded by the City include, but are not limited to:

- Loans to employees, shareholders, board members, directors, related parties/corporations, etc., including transactions that occur between fiscal year ends are not reflected in the financial statements
- Advances to shareholders, directors, related parties/corporations, etc.
- Funds used to pay for expenses that do not directly relate to the child care centre or program for which the funding has been provided (e.g., expenses incurred by shareholders, other child care centres/programs, related parties/companies, etc.), this may include inter-company transfers, allocations or chargebacks, or drawings on equity
- Funds used for child care and early year services provided outside of the City of Toronto; except for the CWELCC funding that has been provided for licensed home childcare outside of the City of Toronto

- Funds used for child care and early year services in the City of Toronto for programs/locations that do not have a Service Agreement for Fee Subsidy with the City of Toronto
- Bad debt expenses
- Goodwill write-off
- Loan interest
- Principal portion of a loan/mortgage
- Personal vehicle expenses or maintenance for vehicles, insurance, gas
- Head office rent
- School bus expenses (including insurance)
- Associated business enterprises including a charity of the Agency
- Other costs not included or approved as per budget/funding application guidelines or that do not directly support the provision of services to children and families
- Repayments to Children's Services for recoveries
- Transaction related to prior fiscal years
- Any expenses over and above the threshold set in the budget/funding application guidelines
- Canada Emergency Business Account (CEBA) loan repayments, interest and/or CEBA loan forgiveness. It is the responsibility of the operator to provide appropriate evidence, if repayments are from sources other than TCS funding and/or the loan was utilized for expenses which were not funded by TCS
- Any repayments for COVID-19 relief programs, such as Canada Emergency Rent Subsidy (CERS)

Any of these expenses will be disallowed during audit analysis and could potentially lead to a recovery of funding by TCS.

Dividends

TCS recognizes that a commercial Agency may issue dividends in accordance with the Corporations Act. If dividends are issued, TCS requires that the Agency submit the T5 to the Budget Consultant and/or Budget Coordinator. The dividends paid will be included as the total compensation during TCS analysis, which cannot exceed the TCS budget/funding application guidelines. Any excess over the approved budget submission and/or the budget/funding application guideline maximum will be disallowed and may result in a potential recovery.

Audited financial statements - Surplus / (Deficit)

Where applicable, agencies may accumulate a surplus not exceeding three months of average operating expenses to meet unforeseen contingencies. Agencies may be required to submit a plan

to the Budget Consultant for the use of any accumulated surplus (that exceeds three months of average operating expenses) identified in the audit for City funded programs. The expectation of the agency is that the surplus is reinvested into the program it was intended for through the submission of the annual operating budget and used to support the provision of child care and early year services.

A surplus in an Agency's fiscal year, that exceeds 10% of allowable revenue, may result in a recovery (see Appendix I). Note, this recovery method does not apply to CWELCC funding.

Agencies receiving **Every Child Belongs (Special Needs Resource)** program funding, will be reviewed for operating surplus related to TCS funding. If the operating surplus is specifically driven by underspent Salaries & Benefits in comparison to the submitted budget, the Agency must submit a plan on the use of the underspent funding to the Resource Supervisor. The Agency will be notified if the plan is acceptable and if not, a recovery will be processed for the full amount of underspent funding.

Agencies receiving **EarlyON and Indigenous-Led Child and Family Programs** funding will be required to reimburse the City for any surplus for the full amount of program underspending.

When an Agency has incurred a deficit, TCS will review the audited financial statements during the audit analysis and if necessary, will request a business plan. TCS will analyze the impact on financial viability of any going concern issue and consider the materiality of the deficit as well as changes over the prior year. The business plan should be realistic and identify how the deficit will be addressed in the following fiscal year.

Overpayment and Recovery

The Agency must inform their Budget Consultant immediately of any overpayments made by the City, which is to be returned to the City within a pre-arranged period. Any overpayment determined through a grant reconciliation shall be returned with a signed reconciliation statement. The grant reconciliation will also be reviewed with the audited financial statements and/or review engagement.

TCS may also determine that a recovery is required through the following:

- T4 analysis
- Audited financial statement analysis (for up to 7 prior fiscal years)
 - Excess of 10% operating surplus in the fiscal year (see Appendix I);
 - Accumulated surplus exceeding a reasonable amount that is not being reinvested into child care and early year services;
 - Transactions not funded by the City;

- 2022 CWELCC unused funding
- Underspent funding related to Every Child Belongs (Special Needs Resource) programs or EarlyON & Indigenous-Led Child and Family Programs
- Inconsistent operating capacity resulting in General Operating Funding change or not used in accordance with the guidelines and/or implementation plans, if applicable
- Per diem recovery (when TCS determines an Agency's per diem is higher than their public fee)

Any expenses not funded by the city as mentioned in this guideline will increase the surplus and lead to a potential recovery, which will be adjusted, to reflect the percentage of City Funding to total revenue. A repayment plan is negotiable on an individual basis, which considers timely repayment as well as the Agency's ability to pay. TCS may withhold final payments to recover the amount as determined through the recovery calculation.

Resources

There are several resources available to support agencies with the responsibilities to manage a child care and early years operation. TCS staff are available to support any interpretation needed for budget and operating guidelines and for any audit or recovery process questions. Please contact your Budget Consultant for any support needed.

The following websites may also be used to access additional information:

- Children's Services for Operators – toronto.ca/earlylearningpartners
- [Budget and General Operating Funding Guidelines](#)
- [Toronto Children's Services - 2022 Canada-Wide Early Learning and Child Care Funding Guidelines for Licensed Child Care](#)
- [COVID-19 Resources](#)
- Chartered Professional Accountants of Canada- cpacanada.ca
- Chartered Professional Accountants of Ontario - cpaontario.ca

How to submit your financial documents to TCS?

TCS has a module available for all agencies to upload Audited Financial Statements, Review Engagement Report, Management Letter and supporting Audit/Review Engagement documents.

The upload can be accessed through Online Services for Operators, in Applications, under the "Financial" tab. TCS has also provided a training video to support the learning process for this new feature. The Financial Document Upload video can be found in the [Online Services](#) financial landing page under Tips, Tricks & Help.

APPENDIX I- Recovery Calculation Sample (Excess of 10% operating surplus)**Recovery Calculation for Year Ended December 31, 20xx****Information from Audit Analysis**

Allowable Revenue	A	\$ 120,000
Allowable Expenses (disallowed expenses are removed from this amount)	B	<u>\$ 90,000</u>
Operating Surplus (A-B)	C	\$ 30,000
Operating Surplus % (C/A)	D	25%

Revenue Information from Statement of Account/ Payment Summary

Parent Portion of Fees	E	\$ 30,000
Subsidy Fees	F	\$ 70,000
General Operating Funding	G	<u>\$ 9,000</u>
Total Fee Subsidy & General Operating Funding (E+F+G)	H	\$ 109,000

Recovery Calculation

City Funding % of Allowable Revenue (H/A)	I	90.83%
10% of Allowable Revenue (A*10%)	J	\$ 12,000
Excess Operating Surplus over Allowable Revenue (C-J)	K	\$ 18,000
Recovery Amount (K*I)	L	\$ 16,350

All revenue identified in Appendix V will be removed from an audit recovery calculation on both the expenditure and revenue side.

APPENDIX II- Provincial Wage Enhancement (PWE) and Pay Equity

A note disclosure must be included with the audited financial statement / review engagement when an Agency receives more than \$20,000 in aggregate funding through the City of Toronto in the Agency’s fiscal year. This note is also required to have a cross-reference from the financial statements. Please see below for a sample note format.

Note	Pay Equity 1999 – 2005	Provincial Wage Enhancement (PWE)
Deferred from prior years ⁽¹⁾		
Received in this Fiscal Year ⁽²⁾		
Pay Equity/PWE expensed in this fiscal year according to the guidelines ⁽³⁾		
Pay Equity/PWE returned to Children's Services this fiscal year ⁽⁴⁾		
Pay Equity/PWE deferred to future years (1) + (2) - (3) - (4)		

All agencies are required to upload their Audits, Review Engagement Report, Management Letter and audit supporting documents in [Online Services](#). Prior to starting, please review the guide and video available under Tips, Tricks & Help on the Financial page in [Online Services](#).

APPENDIX III- COVID-19 Funding Required Disclosure

Federal COVID-19 Financial Support

As a result of COVID-19, agencies may have received new funding sources and/or funding types to support operations.

An Agency may report all federal revenue types noted below as one consolidated revenue line item named "Other Grants/Funding" (or named appropriately for your Agency to distinguish this funding) in the Statement of Operations/Income Statement. See Appendix IV for an example. However, an itemized note disclosed to the financial statements is still required at the Agency level.

This itemized note disclosure must be reported by each Program (Group Child Care, Home Child Care, Every Child Belongs, and EarlyON Child & Family Centre and Indigenous-Led Child and Family Programs). See Appendix V for an example.

Federal supports and funding types that must be reported include:

- Canada Emergency Wage Subsidy ("CEWS")
- 10% Wage Subsidy for Employers ("10% WS")
- Canada Emergency Commercial Rent ("CECRA")
- Canada Emergency Rent Subsidy ("CERS")
- Canada Emergency Business Account ("CEBA")

TCS COVID-19 Funding (within the Provincial Sustainability Funding approach)

Mandated Closure, Extended Closure and COVID-19 Revenue Gap funding must be recognized in 2020 as revenue as it specifically relates to 2020 operator expenses and it **may not be deferred**. These funding payments, net of the GOF applied, may be reported as one revenue line item. The payment for these funding types are found as past adjustments on the Statement of Account and relate to amounts identified on monthly invoices.

Safe Restart Funding

Safe Restart Funding (SRF) requires a note disclosure in the financial statements. The note disclosure must identify, at a minimum:

- total amount **Received**
- total amount of funding **recognized** as **Revenue**
- total amount of funding **Deferred**, if applicable, if not used by the end of fiscal year

SRF was not to be used by group child care for Minor Capital. Instead TCS directed child care centers to apply for a Minor Capital Grant. Therefore, any Minor Capital should be reported per your Agency's normal practice when a Minor Capital Grant was received. For EarlyON agencies the Safe Restart allocation included Minor Capital as an eligible expenditure. Note, unused SRF as of December 31, 2022 may be recovered upon.

APPENDIX IV- Example of revenue listing new COVID-19 funding types

Example of the revenue on a Statement of Operations/Income Statement that includes new COVID-19 funding types.

This example shows consolidated line items for new funding types, alternatively all individual funding types may be reported as separate revenue lines.

Revenue	
Full Fee	\$ 200,000
Fee Subsidy	\$ 150,000
General Operating Funding	\$ 40,000
Provincial Wage Enhancement	\$ 25,000
One-Time Stability Grant 2019	\$ 10,000
One-Time Stability Grant 2020	\$ 10,000
TCS COVID-19 Funding	\$ 20,000
Safe Restart Funding	\$ 15,000
Other Grant/Funding (for example, federal supports)	\$ 44,000
Other Income	\$ 5,000
Total	\$ 519,000

APPENDIX V- Example of a note disclosure for federal supports by program type

Other Grant/Funding	Federal Supports and Non-TCS Funded Grants					Total
	Group Child Care Centre	Home Child Care	Every Child Belongs	EarlyON & I-L	Other- Non TCS funded	
Canada Emergency Wage Subsidy ("CEWS")	\$ 20,000	\$ 8,000	\$ 2,000	\$ 3,000	\$ -	\$ 33,000
10% Wage Subsidy for Employers ("10% WS")	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Canada Emergency Commercial Rent ("CECRA")	\$ 5,000	\$ 2,000	\$ -	\$ -	\$ -	\$ 7,000
Canada Emergency Rent Subsidy ("CERS")	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Canada Emergency Business Account ("CEBA")	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other grant(s)	\$0	\$0	\$0	\$0	\$ 4,000	\$ 4,000
Total	\$ 25,000	\$ 10,000	\$ 2,000	\$ 3,000	\$ 4,000	\$ 44,000

Total \$44,000 matches to Statement of Operations/Income Statement in the "Other Grant/Funding" revenue line

APPENDIX VI- Canada-Wide Early Learning and Child Care Presentation Format

CWELCC funding is to be used in the year for which it applies. Payment timing will dictate deferral decisions which are applied using accounting principles.

Description	Affordability (Revenue replacement)	Workforce	Implementation Grant
Received in this fiscal year ^(A)			
* Used in this fiscal year according to guidelines ^(B)			X
Deferred to future years ^(C)			X
** Unused Balance ^(D=A-B-C)			X

* Funding used for the Affordability (CWA) payment type was for revenue replacement for fees. Funding used for Workforce (CWW) payment type would consist of amounts used to increase wages per the [CWELCC Guidelines](#).

** This unused balance will be evaluated for recovery.

Agencies may upload their Audits and supporting documents in [Online Services](#). Prior to starting, please review the guide and video available under Tips, Tricks & Help on the Financial page in [Online Services](#).