

2024 Audit Requirements for Child Care Operators

Overview

As the Service System Manager, The Regional Municipality of York (York Region) is required to assess the economic viability of child care programs and services. Additionally, we are accountable to the Province of Ontario for the funding we have provided and to ensure compliance with Provincial guidelines. Collecting financial statements from child care operators is one of the methods we use to achieve these objectives. For Operators enrolled in the Canada-wide Early Learning and Child Care (CWELCC) system, an added requirement of completing the Audited Financial Statement Summary further supports the assessment of financial viability. All child care operators receiving Regional funding are required to submit financial statements annually, within 120 days of the Operator's year-end.

CWELCC Participating Operators

As required in the Ministry of Education's CWELCC Guidelines, beginning in 2023, audited financial statements are required from all child care operators in receipt of CWELCC funding to enable the Region's verification that the funding provided was used for the purposes intended. Please proceed to Option 3 below for audit requirements.

Non-CWELCC Participating Operators

The type of funding review that is required is based on the total amount of funding an Operator was eligible to use in their fiscal year; this means earned subsidy revenue on your income statement using generally accepted accounting principles. Funding types (subsidy revenue) paid by the Region that are subject to the annual funding review may include one or more of the following:

- Fee Subsidy
- Wage Enhancement (WE)
- General Operating Grant (GOG)
- Licensed Home Child Care Base Funding (LHCC Base Funding)
- Special Purpose
- Pay Equity Union Settlement (Pay Equity)
- Resources for Inclusion Support in Early Learning Settings (R.I.S.E) Funding
- Any other funding received by the Operator from the Region

What are Financial Statements?

Financial statements are a set of documents that show the financial activities and financial position of an organization over a period of time. Financial statements must be prepared in accordance with Canadian generally accepted accounting principles. Financial statements can be used by others to assess the financial stability of an organization.

What are Generally Accepted Accounting Principles?

Generally Accepted Accounting Principles (GAAP) refer to a common set of accounting rules, standards and procedures issued by the Accounting Standard Board (AcSB).

What is a Financial Statement Audit?

A financial statement audit is the examination of an organization's financial statements and accompanying disclosure by an independent auditor. The auditor will issue an opinion on whether the financial statements were prepared, in all material respects, in accordance with Generally Accepted Accounting Principles.

Funding Declaration

The funding declaration must be completed by a third party who has reviewed your records and can verify the statements. Qualified professionals may include, but are not limited to, a bookkeeper, accountant or auditor. As per the General Operating Grant guidelines, an operator may choose to use a maximum of 20% of their GOG budget toward the expense incurred as a result of completing these audit requirements.

We are unable to confirm for each operator the amount of funding used during their fiscal year for the following reasons:

- Operators having various fiscal year-ends that differ from the Region's calendar-year contract funding
- The reconciliation/recovery process for WE, GOG, LHCC Base Funding and Pay Equity
- The reimbursement of Special Purpose funding after the expenditures were incurred
- Funding provided late in the calendar year that was for the January-to-December period
- The requirement is based on eligible funds used during the Operator's fiscal year/earned subsidy revenue on your income statement using generally accepted accounting principles

If you are unclear about which funding review option is required, please connect with your accounting staff, bookkeeper, auditor or refer to your final year-end financial records. Alternatively, you may calculate the subsidy funding based on reconciliations, electronic fund transfer notices and appropriate supporting schedules.

All operators, regardless of the amount received, within 120 days of the operator's fiscal year, must provide one of the following funding review options. (Note: If you already prepare audited financial statements annually, proceed directly to option 3):

Option 1: Operators in receipt of Regional funding that an Operator was eligible to use in their fiscal year of \$1 to \$249,999.99, must provide:

- Funding Declaration
- Funding Reconciliation Statement(s)
- Financial Statements approved by the Board of Directors or Corporation Officers

Option 2: Operators in receipt of Regional funding that an Operator was eligible to use in their fiscal year of \$250,000 to \$499,999.99, must provide:

- Funding Declaration
- Funding Reconciliation Statement(s)
- Financial Statements approved by the Board of Directors or Corporation Officers with a Review Engagement on the financial statements

Option 3: CWELCC participating Operators and Operators in receipt of Regional funding that an Operator was eligible to use in their fiscal year of \$ 500,000 or more, must provide:

- Funding Declaration
- Funding Reconciliation Statement(s)
- Audited Financial Statements approved by the Board of Directors or Corporation Officers
- Audited Financial Statement Summary (CWELCC participating only)