Peel Region

CWELCC reporting and reconciliation update

Centre-based child care providers

Early Years & Child Care Services

August 12, 2025

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Your microphone will be muted unless called upon during the question period.

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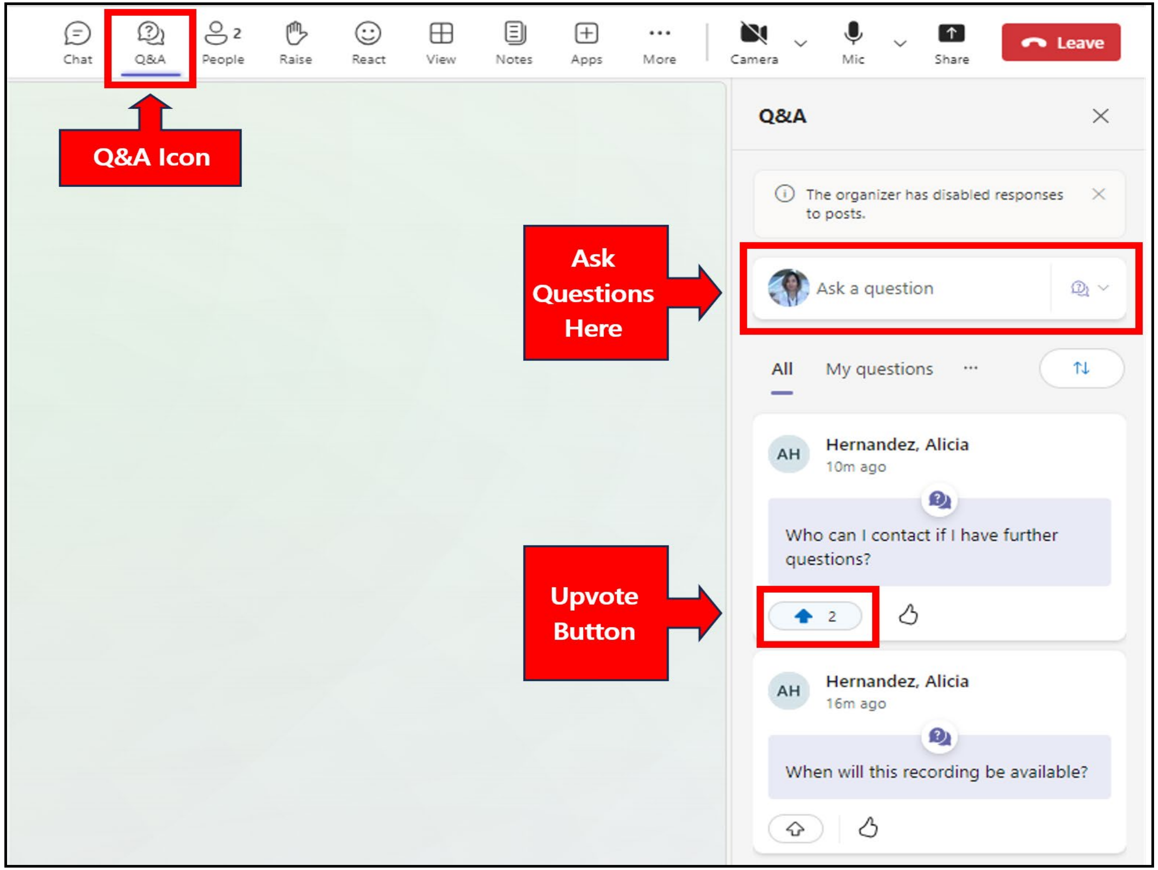
How to use the Microsoft Teams Q&A feature



Agenda

1. Reporting & Reconciliation Timeline
2. Site-Level Reporting
3. CWELCC Financial Reporting
4. Reconciliation Scenarios
5. Q & A session

Reporting & reconciliation timeline

Q4 2025

- Reporting & reconciliation templates available

January 2026

- School-age expenditures in GovGrants and reconciliation report

April 2026

- Audited Financial Statement
- Financial Annual Information Return (FAIR)
- MEDU Standardized Financial Report (awaiting details)
- CWELCC reporting in GovGrants

Q2

- School-age recoveries
- Start compliance audit mechanisms

Q3

- CWELCC recoveries

Note: Expansion funding (Start-up Grant and Early Learning and Child Care Infrastructure Fund) will be reported and reconciled based on a service provider's approved expansion project timelines. Projects must be complete, and funding spent by December 31, 2026.

Site-level Reporting

Ministry requirement

- In accordance with Ministry guidelines, cost-based funding is calculated at the site-level (per licence), even if managed by the same head office (individual or corporation)
- For financial reporting, you will continue to submit your **Audited Financial Statement at the head office level**
- However, due to Ministry requirements, you will complete and submit the **Financial Annual Information Return (FAIR) at site-level**
  - The Ministry also requires you to submit a **standardized financial report**[1] for each site following the end of the calendar year providing a breakdown of eligible costs, based on the benchmark components (for example, program staffing, accommodations)

[1]Note: We are still awaiting details on the Ministry's standardized financial report template.

Site-level reporting

- To help multi-site service providers with the change to site-level reporting, you will receive:
    1. **Site-level breakdown of your CWELCC cost-based funding allocation** to support with budgeting
    2. **Operating Budget Template** to help track your site-level expenses and revenue, and effectively manage your CWELCC allocation throughout the year
- **For 2025 only:** CWELCC funding will be reconciled at the head office level to ease the transition to this new requirement. Expenses and revenue must be reported at the site-level, but your actual cost-based funding (including potential funding recovery) will be based on your consolidated head office amounts.
- Starting in 2026, reconciliation and potential funding recovery will be determined at the site-level

Site-level allocations

- Multi-site service providers will receive a breakdown of their benchmark and top-up allocations per site (refer to the image below)
- For the legacy top-up, we distributed your head office allocation across your sites using your operating capacity
  - **By early October**, you'll need to inform us if you'd like to (a) adjust the legacy top-up distribution (if so, please provide the revised percentage for us to use) or (b) keep the distribution we used. You may find it helpful to use your site-level expenses as a basis for actual legacy top-up distribution.

Site	Operating Capacity	Program Staffing	Supervisor	Accommodations	Operating – Fixed	Operating – Variable	Legacy Top-Up (if applicable)	Revised Legacy Top-Up
1	15 toddler 32 preschool	541,403	61,849	74,057	161,044	17,502	76,394	
2	15 toddler 32 preschool	541,403	61,849	74,057	161,044	17,502	76,394	
3	15 toddler 39 preschool	687,463	79,520	84,626	185,030	17,874	78,019	
Total		**1,770,269**	**203,218**	**232,740**	**507,118**	**52,878**	**230,807**	**230,807**

Centralized expenses

- If your organization incurs centralized expenses across multiple sites (such as accounting fees, advertising and promotion), you must use a reasonable and consistent methodology to determine and **report the specific expense for each site**
- You may determine how these expenses are distributed by using a reasonable and consistent method (such as operating capacity)
  - For example, if your total annual advertising cost for all sites is $5,000 and your organization's operating capacity across all sites is 300 spaces, you could allocate the cost proportionally based on each site's share of total capacity. For instance, a site with 60 spaces (20% of total capacity) would be assigned $1,000 in advertising expenses.
- When completing the Financial Annual Information Return (FAIR), you will be asked to report the proportionate share of each centralized expense for every site

Proration of 0 to 12 expenses

- Service providers who provide licensed child care to both age groups (0 to 6 and 6 to 12 years old) must prorate shared expenses to accurately reflect costs associated with CWELCC-eligible children
- Within Peel, the following approach will be used to support with proration of 0 to 12 expenses
    - **Salary and occupancy:** You will determine your own proration between 0 to 6 and 6 to 12.
    - **All other expense categories:** A default proration based on operating capacity data will be applied.
        - The default proration approach will apply to all service providers, with the option to use your own proration if preferred

Documentation tips

- Once you have determined how to prorate your 0 to 12 expenses and distribute centralized costs, these methods must be applied consistently throughout the year and across similar expense types
- Please ensure you:
  - Maintain clear documentation to support your chosen methodology (for example, worksheets, staffing records, capacity data, assumptions, rationale)
  - Understand how expenses are distributed and can explain all calculations. Retain all supporting documentation for audit purposes and in line with your organization's record-keeping policy.
  - Review your methodology and documentation with your accountant or bookkeeper to ensure accuracy and compliance
- Staff responsible for completing the Financial Annual Information Return (FAIR) must have access to supporting documentation

CWELCC financial reporting

Financial reporting

- All service providers who receive CWELCC funding from Peel must submit:
  1. **Audited Financial Statement,** by head office
  2. **Financial Annual Information Return (FAIR)**, by site-level
  3. **Ministry's Standardized Financial Report,** by site-level (awaiting details)

Due date	Reporting requirements
April 30, 2026	• December year-end: Audited Financial Statement • Non-December year-end[1]: Unaudited Statement of Revenue and Expenditures for the calendar year (January to December) • All service providers: FAIR for the calendar year (January to December)
Within 4 months after your fiscal year-end[1]	• Non-December year-end[1]: Audited Financial Statement • Audited Statement of Revenue and Expenditures for January to December o Submit Updated FAIR to align with Audited Statement of Revenue and Expenditures.

[1]Non-December year-end exemptions approved by Peel only

Audited Financial Statement

- The Ministry requires you to submit Audited Financial Statements to verify the proper use of CWELCC funding and to confirm your organization's ongoing financial viability
- Audited Financial Statements will continue to be at a head-office (consolidated) basis.
- As a reminder, **amortization expenses are ineligible** according to the Ministry's CWELCC cost-based funding guideline unless you:
  - Bought the related asset before the announcement date (August 15, 2024), and
  - Have not received funding for the asset from another government fund (including CWELCC) or an insurance claim.
- **Talk to your Auditor!** We recommend you talk to your auditor early to prepare for the submission deadline and avoid potential funding holds as per Peel's Compliance Policy

Note disclosure

- **New for 2025 funding**: For each funding received from Peel during the calendar year (January to December), your Audited Financial Statements must include a note disclosure of the amount(s) received, spent and overspent/repayable to Peel
- Please refer to the example below that you can share with your auditor
- We will provide an update on accounting details with the release of the Financial Annual Information Return (FAIR)

Peel Region Funding	Funds Received	Funds Spent	Repayable to Peel
CWELCC Cost-Based Funding	$670,000	$670,000	$ -
CWELCC Allocation in Lieu of Profit/Surplus	$52,000	$52,000	$ -
School Age (6-12) Programs: Child care fees	$44,000	$40,000	$4,000

Financial Annual Information Return (FAIR)

- **New for 2025 funding:** The FAIR will be used for CWELCC reconciliation and help you project potential funding recoveries payable to Peel.
- This approach should reduce administrative burden related to CWELCC reconciliation through a single reporting requirement
- Through the FAIR you will report your:
  - Site-level revenue and expense details for both CWELCC eligible (younger than 6 years of age) and ineligible children (6 to 12 years old)
  - There is a default formula built in to support you in prorating your 0 to 12 expenses (if applicable).
- You can choose either to have your auditor or accountant complete the FAIR, or complete it yourself

GovGrants reporting

- The Financial Annual Information Return (FAIR) helps you calculate the actual cost-based funding amounts you'll report in GovGrants
- After completing the FAIR, there are two reporting requirements under the following announcements:
    1. **2025 CWELCC Cost-Based Funding:** You are required to report your net program costs (actual program costs minus your actual base fee revenue), instead of total expenditures under each budget category.
    2. **2025 Allocation in Lieu of Profit/Surplus**: You are required to report your final, adjusted amount. This amount is based on your actual program costs and represents the actual amount of funding you'll receive through this announcement.
- For 2025 funding only, multi-site service providers will report consolidated head office amounts in GovGrants

CWELCC reconciliation scenarios

Funding recovery

- During reconciliation, we will compare your CWELCC cost-based funding allocation with your actual program costs and base fee revenue earned from families to determine if you owe a funding recovery
- You may owe a **funding recovery** if:
  - Your actual program costs are less than your program cost allocation (benchmark plus applicable top-ups)
  - The actual base fee revenue you earn from families is higher than your expected base fee revenue offset allocation (adjusted by 10% vacancy rate)
  - You use CWELCC funding for costs that do not meet the eligibility criteria (attributable, appropriate and reasonable)

Budget management

- We encourage you to use Peel's operating budget template to monitor your actual expenses and revenue against your program cost allocation
- To avoid a potential funding recovery or loss:
  - **Maximize your program cost allocation:** Fully use your allocation on eligible expenses as any unused funds will be recovered. If your eligible expenses are greater than your allocation, you are required to cover the difference.
  - **Monitor your base fee revenue:** Closely monitor the base fee revenue you earn from families throughout the year to ensure that it is sufficient to meet your expected base fee revenue offset.
- Questions about your funding should be directed to your Early Years Specialist (EYS)

Scenario #1: Underspending and higher base fee revenue

Child care centre "A" was allocated $810,000 for program cost allocation, $125,000 for expected base fee revenue offset and $64,800 for amount in lieu of profit/surplus.

- At year-end, actual program costs were lower at $760,000 and the actual base fee revenue earned from families was higher at $135,000.
- This resulted in a recovery of $64,000 due to **underspending, higher-than-expected** base fee revenue and an adjustment to amount in lieu of profit/surplus.

Budget Category	Allocation	Actual	Recovery	Loss
Program Cost	$810,000	$760,000	($50,000)	n/a
Base Fee Revenue	($125,000)	($135,000)	($10,000)	n/a
Amount in Lieu of Profit/Surplus	$64,800	$60,800	($4,000)	n/a
		Total	**$64,000**	**n/a**

Scenario #2: Underspending and lower base fee revenue

Child care centre "B" was allocated $450,000 for program cost allocation, $125,000 for expected base fee revenue offset and $40,000 for amount in lieu of profit/surplus.

- At year-end, actual program costs were lower at $420,000, resulting in a recovery of $33,000 due to **underspending** and an adjustment to amount in lieu of profit/surplus.
- The actual base fee revenue earned from families was a **lower-than-expected** $110,000, resulting in a loss of $15,000.

Budget Category	Allocation	Actual	Recovery	Loss
Program Cost	$450,000	$420,000	($30,000)	n/a
Base Fee Revenue	($125,000)	($110,000)	n/a	$15,000
Amount in Lieu of Profit/Surplus	$40,000	$37,000	($3,000)	n/a
		Total	**($33,000)**	**$15,000**

Scenario #3a: Multi-site Reconciliation

"ABC Organization" operates two child care sites in Peel. At reconciliation, they provided the below site-level breakdown of expenses and revenue through the FAIR.

- Site 1 underspent its program cost allocation, with a projected recovery of $43,000.
- Site 2 overspent its program cost allocation by $30,000, which is a projected loss for the site. The site also projected a recovery of $19,000 due to higher-than-expected base fee revenue.
- Based on site-level reconciliation, this would have resulted in a total recovery of **$62,000** ($43,000 plus $19,000), and a loss of **$30,000** for the organization.

Site 1 – Underspending of Program Cost Allocation				
Budget Category	**Allocation**	**Actual**	**Recovery**	**Loss**
Program Cost	$500,000	$460,000	**($40,000)**	n/a
Base Fee Revenue	($114,000)	($114,000)	n/a	n/a
Amount in Lieu of Profit/Surplus	$37,600	$34,600	**($3,000)**	n/a
		Total	**($43,000)**	**n/a**

Site 2 – Overspending & higher than expected base fee revenue				
Budget Category	**Allocation**	**Actual**	**Recovery**	**Loss**
Program Cost	$750,000	$780,000	n/a	**$30,000**
Base Fee Revenue	($171,000)	($190,000)	**($19,000)**	n/a
Amount in Lieu of Profit/Surplus	$56,400	$56,400	n/a	n/a
		Total	**($19,000)**	**$30,000**

Scenario #3b: Multi-site Reconciliation

For 2025 funding only, CWELCC funding will be reconciled at the head office level to ease the transition to site-level reporting.

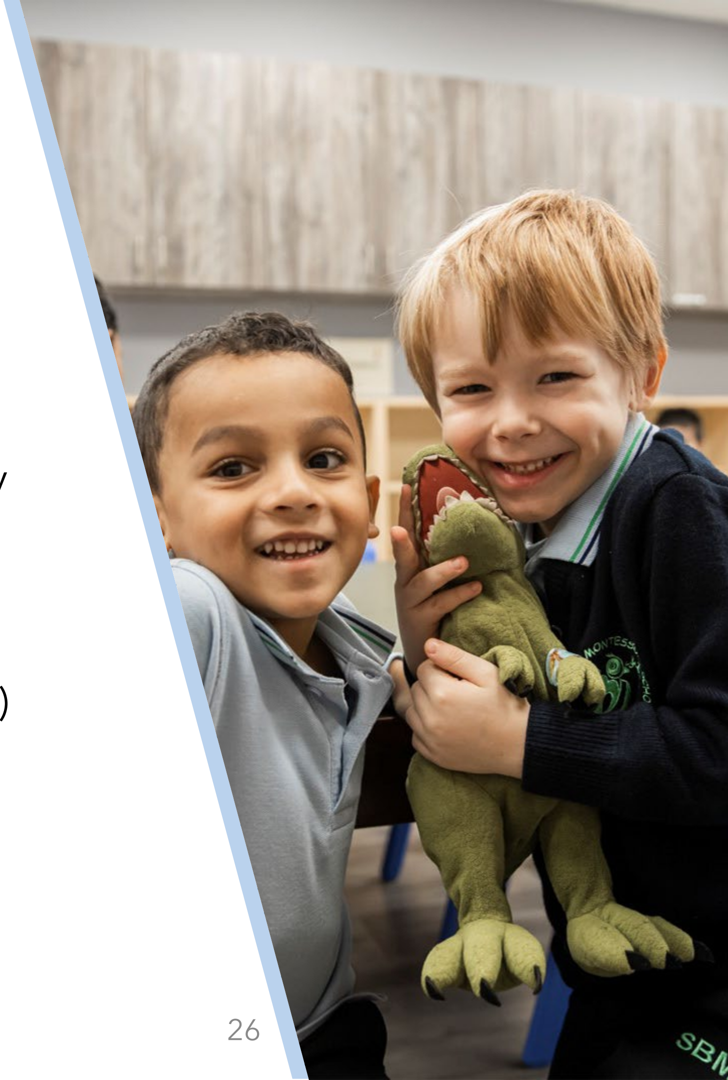
- Using the organization's consolidated expenses and base fee revenue for both sites, the total recovery for 2025 funding is **$30,000**.
- This is a lower amount than the separate site-level recovery of $62,000 and loss of $30,000 (as shown on the previous slide).

Important: Beginning in 2026, multi-site service providers will need to reconcile funding at a site-level.

Consolidated Head Office				
Budget Category	**Allocation**	**Actual**	**Recovery**	**Loss**
Program Cost	$1,250,000	$1,240,000	($10,000)	n/a
Base Fee Revenue	($285,000)	($304,000)	($19,000)	n/a
Amount in Lieu of Profit/Surplus	$94,000	$93,000	($1,000)	n/a
		Total	**$30,000**	**n/a**

Next steps

- **Multi-site service providers:** Review your site-level allocations and legacy top-up distribution
- **All service providers**: Update your operating budget based on actual expenses and revenue to date (January to July)
- In the fall, your CWELCC allocation may be adjusted to reflect any changes in service levels (including closure days, service days, salary data and mixed age grouping)
- Your Early Years Specialist will be setting up a drop-session




Questions?

Thank you!

Cost-Based Funding

Concept	Allocation	Actual Funding
Program Cost Allocation	**Program Cost Allocation** • Benchmark allocation plus any applicable top-up allocations (legacy or growth) • May be adjusted throughout the year due to in-year operating space changes	**Actual Program Costs** • Actual amount of eligible costs incurred during the calendar year • Cannot exceed the Program Cost Allocation, including any in-year adjustments
Base Fee Revenue Offset	**Expected Base Fee Revenue Offset** • Amount of base fee revenue estimated to be earned in the calendar year based on planned operating spaces • Adjusted by an allowed vacancy rate	**Actual Base Fee Revenue Offset** • The amount of base fee revenue earned from families in the calendar year • Cannot be lower than the Expected Base Fee Revenue Offset
Amount in Lieu of Profit/Surplus	**Allocation in Lieu of Profit/Surplus** • Based on the Program Cost Allocation, plus a flat amount	**Actual Amount in Lieu of Profit/Surplus** • Final amount based on Actual Program Costs, plus flat amount
Cost-Based Funding	**Cost-Based Funding Allocation** • Program Cost Allocation plus Allocation in Lieu of Profit/Surplus minus Expected Base Fee Revenue Offset	**Actual Cost-Based Funding** • Actual Program Costs plus Actual Amount in Lieu of Profit/Surplus minus Actual Base Fee Revenue Offset • Peel must recover any overpayments and return to the Ministry

Source: Chapter 2, Division 2: CWELCC Cost-Based Funding Guideline. Page 10 (link).

Accountability framework

- Our accountability framework consists of mechanisms such as funding inspections, reviews and audits to ensure that you are following Peel's guidelines and policies
- These may result in funding recoveries and impacts

Compliance Audit Mechanisms

- Funding inspections and reviews, third-party funding reviews and enhanced reconciliation reviews
- You may be selected for an inspection or review once every 3 to 5 years

Cost Reviews

- The Ministry requires Peel to complete cost reviews of service providers with the highest legacy top-up allocations to identify opportunities for cost efficiencies
- You will be notified if you are selected, and reviews must be completed by December 31, 2025

Direct Engagement to Report on Compliance

- Starting in 2026, Peel must acquire a third-party auditor to perform Direct Engagement Compliance Audits for a sample of providers
- A 5% sample will be selected as part of the 2025 reconciliation process