Peel Region

CWELCC reporting and reconciliation update

Licensed home child care agencies

Early Years & Child Care Services

August 13, 2025

Housekeeping

This meeting is being **recorded** and will be shared with the presentation.

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

Use the Q&A feature to post your questions. You can also email us at earlyyearssystemdivision@peelregion.ca or contact your Early Years Specialist.

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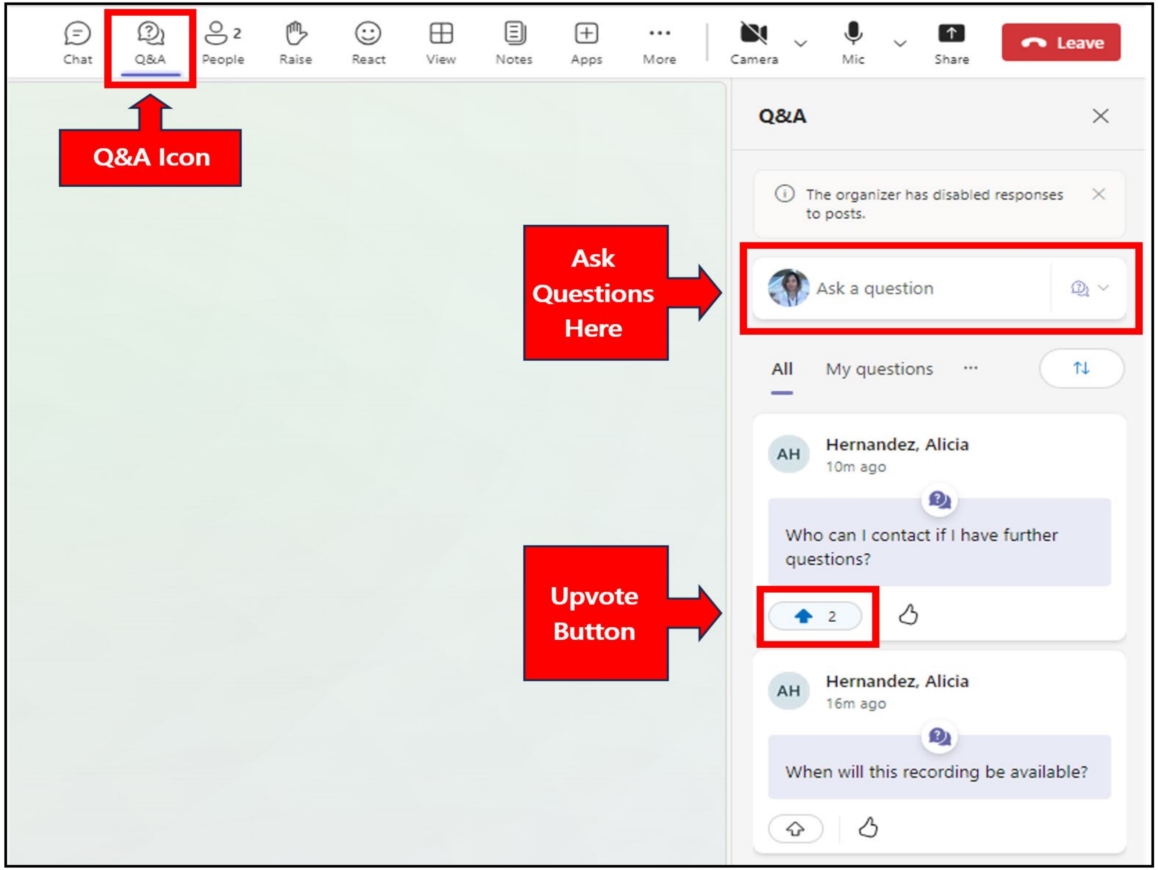
Questions about the collection of personal information and information collected should be directed to earlyyearssystemdivision@peelregion.ca.

Disclaimer: This slide deck is shared for informational purposes only and does not replace the requirements and rules set out in the *Child Care and Early Years Act, 2014*, its regulations, your service agreement, the CWELCC guideline (updated in July) and/or the service provider handbook.

How to use the Microsoft Teams Q&A feature



Agenda

1. Reporting & Reconciliation Timeline
2. CWELCC Financial Reporting
3. Reconciliation Scenarios
4. 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 an agency's approved expansion project timelines. Projects must be complete, and funding spent by December 31, 2026.

Active homes in multiple service areas

- In accordance with Ministry guidelines, the **overseeing system manager** (where your head office is located) is responsible for reconciling all cost-based funding received, including homes funded by the **secondary service system manager** (active homes opened in another service area after December 31, 2022)
- To prepare for reconciliation, we encourage you to track your actual expenses and revenue separately for each service area (for example, operational costs in Peel and Toronto)
    - This includes distributing centralized expenses (such as accounting fees, advertising and promotion) across multiple service areas
- If your agency also receives School-age funding (6 to 12 years) from Peel, you'll need to report and reconcile it separately

Proration of 0 to 12 expenses

- Agencies 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, occupancy and payments to home providers:** You will determine your own proration between 0 to 6 and 6 to 12.
  - **All other expense categories:** A default proration based on enrolment data will be applied.
    - The default proration approach will apply to all agencies, with the option to use your own proration if preferred

Documentation tips

- Once you have determined how to prorate your 0 to 12 expenses, 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, payments to home providers, enrolment data, rationale)
    - Understand how expenses are distributed and can explain all calculations. Retain all supporting documentation for audit purposes and in line with your agency'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 agencies who receive CWELCC funding from Peel must submit:
    1. **Audited Financial Statement,** at the agency level
    2. **Financial Annual Information Return (FAIR)**
    3. **Ministry's Standardized Financial Report**[1] (awaiting details)

Due date	Reporting requirements
April 30, 2026	• December year-end: Audited Financial Statement • All agencies: FAIR for the calendar year (January to December) • Non-December year-end[2]: Unaudited Statement of Revenue and Expenditures for the calendar year (January to December)
Within 4 months after your fiscal year-end[2]	• Non-December year-end[2]: 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]Breakdown of eligible costs, based on benchmark components (for example, home provider compensation, operations)

[2]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 agency's ongoing financial viability
- Audited Financial Statements will continue to be at the agency level
- 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

- Your Audited Financial Statements must include a note disclosure for funding received from Peel and other service system managers (if applicable) during the calendar year (January to December)
    - **New for 2025 funding**: You must include the amount(s) received, spent and overspent/repayable to Peel and other service system managers
- Please refer to the example on the next slide 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)

Note disclosure: Example

Peel Region Funding	Funds Received	Funds Spent	Repayable to Peel
CWELCC Cost-Based Funding	$67,000	$67,000	$ -
CWELCC Allocation in Lieu of Profit/Surplus	$5,000	$5,000	$ -
School Age (6-12) Programs: LHCC	$6,000	$4,000	$2,000

York Region Funding	Funds Received	Funds Spent	Repayable to York
CWELCC Cost-Based Funding	$80,000	$80,000	$ -
CWELCC Allocation in Lieu of Profit/Surplus	$6,000	$6,000	$ -

Financial Annual Information Return (FAIR)

- **New for 2025 funding:** The FAIR will be used for CWELCC reconciliation and help you project potential funding recoveries
- Through the FAIR you will report your:
  - Financial position that aligns with your Audited Financial Statement
  - Revenue and expense details for both CWELCC eligible (younger than 6 years of age) and ineligible children (6 to 12 years old)
- You can choose either to have your auditor or accountant complete the FAIR, or complete it yourself
- We continue to work with other local service system managers to finalize the approach and reporting requirements for agencies that provide child care in multiple service areas.

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.

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
  - 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

Home agency "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 they 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 their 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

Home agency "B" was allocated $510,000 for program cost allocation, $220,000 for expected base fee revenue offset and $41,000 for amount in lieu of profit/surplus.

- At year-end, their actual program costs were lower at $480,000, resulting in a recovery of $33,000 due to **underspending** and an adjustment to their amount in lieu of profit/surplus.
- The actual base fee revenue they earned from families was a **lower-than-expected** $205,000, resulting in a loss of $15,000.

Budget Category	Allocation	Actual	Recovery	Loss
Program Cost	$510,000	$480,000	($30,000)	n/a
Base Fee Revenue	($220,000)	($205,000)	n/a	$15,000
Amount in Lieu of Profit/Surplus	$41,000	$38,000	($3,000)	n/a
		Total	**($33,000)**	**$15,000**

Next steps

- 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 enrolment)
- Your Early Years Specialist will connect with you.

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 enrolment • Vacancy rate adjustment is not applied to home agencies	**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, p. 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