

Early Years and Child Care

Accounting and note disclosure guideline for accountants and auditors

for licensed child care centres and licensed home child care agencies

February 2026

Version 1.1

Table of Contents

Introduction	4
Purpose	4
Disclaimer	4
Capital related grants.....	5
Accounting treatment for capital items.....	5
Deferred method	5
Reduction of cost of asset method	5
Accounting method consideration.....	6
Separation between capital assets and amortization expenses (eligible vs ineligible)	6
7-year commitment to CWELCC and repayment condition.....	6
Note disclosure requirements for capital related grants	7
Gross vs net expenditures	7
Accounting treatment for expenditures.....	7
Repayable to Peel Region.....	8
Accounting treatment for the repayable	8
New note disclosure requirements	8
1. Summary of reconciliation – Peel Region.....	8
2. Contingent liability for capital related funding.....	9
3. Capital related funding more than one year	10
4. Capital assets or property plant and equipment details	11
5. Current and prior period grant adjustments.....	12
Current period grant adjustment.....	12
Prior period grant adjustment.....	12
6. Special notes to licensed home agencies (LHCCs).....	13
Appendix 1: Summary chart for accounting treatments.....	14
Appendix 2: Deferral method examples	16
Appendix 3: Reduction of cost of asset method example (disallowed under ASNPO)	18
Appendix 4: Current period grant adjustments	20
Appendix 5: Prior period grant adjustments	21

Appendix 6: Summary of LHCC reporting requirements.....	22
Appendix 7: 0 to 6 and 6 to 12 proration guides for centres	23
Program staffing.....	23
Supervisor salary.....	24
Occupancy costs.....	24
Operating fixed costs	24
Operating variable costs.....	25
Appendix 8: 0 to 6 and 6 to 12 proration guide for home child care agencies	26
Provider compensation component.....	26
Supervisor salary.....	26
Agency operations (variable) component.....	27
Agency operations (fixed) component	28

Introduction

This guideline has been developed to ensure that child care providers and agencies in Peel Region follow consistent, transparent, and compliant financial practices. It aims to simplify processes, improve accountability, and support agencies in meeting regulatory and funding requirements.

Purpose

The purpose of this guideline is to:

- Streamline reporting and reconciliation requirements for child care providers and agencies in Peel Region.
- Provide direction on the accounting treatment of capital items and depreciation.
- Outline related note disclosure requirements.
- Ensure consistency in financial reporting across agencies.
- Support compliance with applicable funding requirements.

Providers and agencies are expected to follow these instructions strictly to maintain eligibility and transparency in the use of public funds.

Disclaimer

This document is intended for illustrative and informational purposes only and does not constitute accounting, auditing, or financial advice. The examples and interpretations provided are based on excerpts from applicable accounting standards and general practice considerations. Agencies and providers should consult a qualified accountant or auditor to determine the appropriate accounting treatment for their specific circumstances, including compliance with relevant standards such as International Financial Reporting Standards (IFRS), Accounting Standards for Private Enterprises (ASPE), or Accounting Standards for Not-For-Profit Organizations (ASNPO).

In this guideline, certain accounting treatments are recommended. Agencies and Service providers are encouraged to utilize the suggested accounting treatment, where accounting standards permit, to potentially reduce additional reconciliations, schedules and reporting to Peel Region (“Peel”). Agencies and Service providers are expected to accurately reconcile their audited financial statements to the reporting requirements according to the most recent 2025 CWELCC guidelines.

Capital related grants

Accounting treatment for capital items

This accounting treatment applies to child care providers and home agencies that received Capital funding (for example, One-Time Emergency Funding (OTEF), Expansion Funding) from Peel Region.

For-Profit

Under International Financial Reporting Standards (IFRS) and Accounting Standard for Private Enterprises (ASPE), For-Profit organizations have the option to **use either the deferral method or the reduction of cost of assets method**.

Not-for-Profit

Under International Financial Reporting Standards (IFRS), Not-for-Profit organizations have the option **to use either the deferral method or the reduction of cost of assets method**.

Under Accounting Standards for Not-For-Profit Organizations (ASNPO), there is an option to **use either the deferral method or the restricted fund method**.

It is important to consult a qualified accountant to ensure you are using the appropriate method for your organization. Providers and Agencies should consider the implications of changes in accounting policies to the other users of their financial statements and the implications of retroactive application in accordance with accounting standards.

Please refer to the Summary Chart for Accounting Treatment in [Appendix 1](#) for more details.

Deferred method

- When a capital grant is received, record the capital grant as deferred revenue.
- Recognize the grant as revenue over the useful life of the related capital asset (straight-line).

Sample journal entries for the deferred method are provided in [Appendix 2](#)

Reduction of cost of asset method

- When a capital grant is received, instead of recording as revenue or deferred income, the amount is subtracted from the asset's purchase cost.
- The asset is then capitalized at its net cost (original cost minus the grant).
- Depreciation is calculated based on this reduced asset value, which lowers the annual depreciation expense.

Sample journal entries for the reduction of cost of asset method are provided in [Appendix 3](#).

When using the reduction of cost of asset methodology, there are cases when the capital grant will not fully cover the purchase of the capital asset it is intended for and there will be a partial asset cost remaining. This partial cost can be amortized for financial reporting but will not be an eligible expense under CWELCC

Accounting method consideration

When an organization is determining which accounting policy or methodology to utilize, they should consider the following:

- Under 2025 CWELCC Guidelines, amortization of assets acquired on or after the CWELCC announcement date (August 15, 2024) and costs funded by Peel Region grants or reimbursed by Insurance are considered ineligible expenses under Cost-Based Funding.
- Administrative work to track government capital funding and eligible amortization expenses.
- Users of the financial statements and the implications of retroactive application in accordance with accounting standards.
- Presentation of the Statement of Financial Position or Balance Sheet.

Organizations are advised to consult with a qualified accountant or auditor to ensure their selected accounting method or accounting policy choices align with applicable standards and organizational requirements.

Separation between capital assets and amortization expenses (eligible vs ineligible)

NEW! Regardless of the accounting policy selected by the provider or agency, it will be required by Peel Region for the provider or agency to submit a capital asset continuity schedule, in addition to their audited financial statements and Financial Annual Information Return (FAIR). This schedule must clearly reconcile eligible and ineligible capital assets and associated amortization expenses under the Cost-Based Funding (CBF), as reported in the FAIR system, and align with the organization's audited financial statements.

Note: Refer to Note Disclosure Requirement 4 for additional details.

7-year commitment to CWELCC and repayment condition

OFEF grants are provided on the condition that the child care provider commits to participating in the Canada-wide Early Learning and Child Care (CWELCC) for a minimum period of 7 years. If the provider opts out of CWELCC or if their service

agreement is terminated due to non-compliance, then the grant will become repayable to Peel Region. For OTEF funding, the repayment will be prorated, while Expansion and Start-up funding must be repaid in full.

Note disclosure requirements for capital related grants

All capital grant funding received is subject to additional note disclosure reporting requirements.

Note: Refer to Note Disclosure Requirements 2, 3, and 4 for additional details.

Gross vs net expenditures

Accounting treatment for expenditures

Peel Region recommends expenditures to be recorded as gross (and not net of grants). To avoid understatement of expenses in the CWELCC Legacy Cost calculation, child care providers and home agencies are suggested to record the total spending before considering any offsets or grants.

By recording expenditures gross, providers can ensure that their Financial Statements match the FAIR, allowing for Peel Region to accurately and efficiently assess the providers' Cost-Based Funding required against their gross eligible expenses.

Providers and agencies should work with a qualified accountant or auditor to determine the correct presentation based on their applicable accounting standards.

Example: Gross expenditure treatment

Simon's Child care spent \$4,000 from the CWELCC program cost allocation for wage enhancement. The total gross salary expense was \$35,000 including wage enhancement.

In this case, child care providers and home agencies must recognize the \$4,000 as revenue and the \$35,000 as the gross salary expense. Child care providers and home agencies should not recognize the net of \$31,000 as the salary expense (net). Recognizing the net will result in understatement in the Cost-Based Funding and reduce the CWELCC grant received to support operations.

Repayable to Peel Region

Accounting treatment for the repayable

A repayable to Peel Region occurs when the recipient received more money than they were entitled to under the program’s rules or conditions. Reasons may be due to (but not limited to):

- Underspending of Peel Region funds.
- Over receipts of parental contributions from revenue offset.
- Inappropriate use of funding contrary to the program’s rules and conditions.
- Transfer or closure of the centre or agency.
- Voluntary opt-out of the program by the provider or agency.

After reconciliation, once the estimated repayable to Peel Region is calculated, child care providers and home agencies must accrue this liability on the Statement of Financial Position. This must align with the Summary of Reconciliations.

Note: Refer to Note Disclosure Requirement 1 for additional guidance.

New note disclosure requirements

1. Summary of reconciliation - Peel Region

As communicated in the Service Provider Handbook, service providers and home agencies must provide the “Summary of Reconciliations” for the calendar year (January to December) in the following format to the Peel Region. This schedule can either be included in the notes of the financial statements or as a separate supplementary schedule to the financial statements reviewed by the annual auditors.

Table 1. Peel Region summary of reconciliation chart

Peel Region Grants	Funds received	Funds spent	Repayable to Peel Region	Deferred
CWELCC Funding				
CWELCC: Allocation in Lieu of Profit/Surplus				
CWELCC: Cost-Based Funding				
CWELCC: OTEF - Operating				
Other CWELCC Funding (specify)				
Total CWELCC (0 to 6) Funding	\$ -	\$ -	\$ -	\$ -

Peel Region Grants	Funds received	Funds spent	Repayable to Peel Region	Deferred
Total School-Aged (6 to12) Programs Funding	\$ -	\$ -	\$ -	\$ -
Capital Grants Funding				
Expansion Funding				
CWELCC OTEF - Capital				
Other Capital Funding (specify)				
Total Capital Grants Funding	\$ -	\$ -	\$ -	\$ -
Other Funding				
Other - Please specify				
Total Other Programs	\$ -	\$ -	\$ -	\$ -
GRAND TOTAL	\$ -	\$ -	\$ -	\$ -

Please note the following:

- Adjust the chart to align with the reconciliation and GovGrants (delete or add rows as necessary)
- Separate charts are required for agencies serving both centre and home-based children.
- Any repayable to Peel Region must be recorded as a liability on the Statement of Financial Position.
- Deferred funding applies only to multi-year Capital Grants. All other Peel Region funding must be spent within the same calendar year unless prior approval is obtained.
- The FAIR template is available to assist with meeting this note disclosure requirement.

2. Contingent liability for capital related funding

If the child care provider or agency stops being designated as CWELCC within 7 years of receiving the OTEF Capital and Expansion funding from the Peel Region, an amount will be deemed repayable to Peel Region. For OTEF Capital funding, the repayment will be prorated (see example below), while Expansion and Start-up funding must be repaid in full.

Provider or agency should work with their auditors to determine if any potential repayment would result in a contingent liability or a factual liability and how that

impacts the financial statements. A contingent liability note should be disclosed in the audited financial statements.

Example: One-Time Emergency Funding (OTEF Capital)

On January 1, 2025, Matthew’s Child Care received \$56,000 in OTEF Capital Funding to repair their child care centre after extensive flooding. As a requirement of the funding, they are committed to staying in CWELCC for 7 years (until December 31, 2031).

An example of a contingent liability notes to be disclosed in the audited financial statements could be:

In 2025, Matthew’s Child Care received a One-Time Emergency Funding (OTEF) Capital grant of \$56,000 from Peel Region to repair the centre after extensive flooding. The grant includes a repayment condition requiring the child care provider to remain designated under the Canada-wide Early Learning and Child Care (CWELCC) system for a minimum of 7 years from the date of funding. If this condition is not met during the commitment period, a prorated portion of the grant will become repayable to Peel Region.

The chart below illustrates the pro-rated amount that would be repayable to Peel Region, by year, if they leave CWELCC prior to the commitment date. For example, if Matthew’s Child Care leaves the CWELCC program on January 1, 2029, then they will need to repay to Peel Region \$24,000. This is calculated as such:

- Duration OTEF Funding was used as a CWELCC organization: 4 years (2025 - 2028).
- Remainder of commitment: 3 years (7 years minus 4 years).
- Prorated amount repayable to Peel Region: 3 years/7 years * \$56,000 = \$24,000.

Table 2. Pro-rated amount repayment to Peel Region

Particulars	2025	2026	2027	2028	2029	2030	2031
Repayable to Peel	\$56,000	\$48,000	\$40,000	\$32,000	\$24,000	\$16,000	\$8,000

3. Capital related funding more than one year

Child care providers and agencies receiving funding, such as OTEF Capital or Expansion Funding over more than one year, should disclose the details in the audited financial statements at fiscal year-end as below:

Table 3. Capital related funding more than one year

Expansion funding	2025	2026	Total
Expansion funding committed	\$40,000	\$360,000	\$400,000
Less: Description of project spent	-\$25,000		-\$25,000
Expansion funding remaining	\$15,000	\$360,000	\$375,000

4. Capital assets or property plant and equipment details

We recommend CWELCC child care providers and agencies, separate capital assets, accumulated depreciation, net book value, and amortization expense into the following categories within their financial statements:

1. Capital Assets (Eligible for Cost-Based Funding)
 - Capital assets acquired before CWELCC announcement date (August 15, 2024).
 - Capital assets not funded by Peel Region and other government funding or grants and insurance proceeds.
2. Capital Assets (Ineligible for Cost-Based Funding)
 - Capital assets acquired on or after CWELCC announcement date (August 15, 2024).
 - Capital assets funded by Peel Region and other government funding or grants and insurance proceeds.
3. Total capital assets (both eligible and ineligible for Cost-Based Funding)

Contains all capital assets owned by the organization and ties into the Statement of Financial Position, Statement of Cash Flow, and Statement of Operations.

Table 4. Note disclosure example for 2024 Capital Assets (assuming straight-line depreciation)

Capital Asset	Funding Eligibility	Cost - 2024 (\$)	Accumulated Amortization - 2024 (\$)	Net Book Value - 2024 (\$)	Amortization - 2024 (\$)
Roof Replacement	Eligible	\$32,000	-\$4,000	\$28,000	\$4,000
Leasehold Improvements	Eligible	\$185,000	-\$84,160	\$100,840	\$21,040
Fence	Ineligible				
Room Addition	Ineligible	\$21,000	-\$1,050	\$19,950	\$1,050
Total		\$238,000	-\$89,210	\$148,790	\$26,090

Table 5. Note disclosure example for 2025 Capital Assets (assuming straight line depreciation)

Capital Asset	Funding Eligibility	Cost - 2025 (\$)	Accumulated Amortization - 2025 (\$)	Net Book Value - 2025 (\$)	Amortization - 2025 (\$)
Roof Replacement	Eligible	\$32,000	-\$8,000	\$24,000	\$4,000
Leasehold Improvements	Eligible	\$185,000	-\$105,200	\$79,800	\$21,040
Fence	Ineligible	\$65,000	-\$3,250	\$61,750	\$3,250
Room Addition	Ineligible	\$21,000	-\$2,100	\$18,900	\$1,050
Total		\$303,000	-\$118,550	\$184,450	\$29,340

5. Current and prior period grant adjustments

Current period grant adjustment

A current period grant adjustment occurs when a recovery of Peel Region’s funding (as described under Note Disclosure Requirement 1) is accrued during the fiscal year. This applies to provider or agencies that recognize Peel Region’s grants as revenue when funds are received.

The adjustment can be recorded as a contra-revenue under the account Current Period Grants Adjustment in the Statement of Operations. It reflects the reversal or reduction of previously recognized grant revenue in the same reporting period.

Contra-revenue for gross reporting purposes, can be used to net against revenues, thus reflecting the true amount of grants received as revenue by the organization during the fiscal year it relates to. For presentation purposes, the grant revenue total in the Statement of Operations would be the net amount of grant income received, and any current grant adjustments reducing or increasing the grant income.

Sample journal entries for current period grant adjustments are in [Appendix 4](#).

Prior period grant adjustment

A prior period grant adjustment occurs when there is a recovery from the previous years due to prior year’s reconciliation adjustments or revisions. It is recommended that this adjustment should be recorded as an expense under the Prior Period Grants Adjustment account in the Statement of Operations. This adjustment **must not** be included as part of current year Operating Expenses.

Any prior period grant adjustments should be discussed with a qualified accountant or auditor to determine the effects on your financial statements. The agencies and providers are responsible for the accuracy and completeness of this information.

Sample journal entries for prior period grant adjustments are in [Appendix 5](#).

6. Special notes to licensed home agencies (LHCCs)

For home agencies where Peel serves as the overseeing Service System Manager (SSM), you are required to do the following:

- Comply with all note disclosure requirements outlined in this document, where applicable.
- Submit audited financial statements.
- Complete the consolidated FAIR template.

For home agencies where Peel serves as the secondary Service System Manager (SSM), we will provide additional guidance regarding Note Disclosure Requirement 1 (summary of reconciliation). Further details will be shared as we work in coordination with other Service Managers to align CWELCC reporting requirements. 6 to 12 Funding still applies.

Regardless of the Head Office location, if your agency has received funding from Peel exceeding \$150,000, you are required to submit a Statement of Revenue and Expenditures for all Peel homes for the calendar year, as a supplement to your audited financial statements. Refer to [Appendix 6: Summary of LHCC Reporting Requirements](#).

Appendix 1: Summary chart for accounting treatments

Below is a comparison table that shows which accounting standards allow the reduction of cost method for capital asset grants:

Table 6. Accounting standards that allow the reduction of cost method for capital asset grants

Framework	Standard	Section reference	Reduction of cost method	Deferral method	Restricted fund method
IFRS	IAS 20 Government Grants	IAS 20.24 Government grants related to assets, including non-monetary grants at fair value, shall be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.	Yes	Yes	No
ASPE	Section 3800 Government Assistance	ASPE 3800.22 Government assistance towards the acquisition of fixed assets should be either: a) deducted from the related fixed assets with any depreciation calculated on the net amount; or b) deferred and amortized to income on the same basis as the related depreciable fixed assets are depreciated.	Yes	Yes	No
ASNPO	Section 4410 Contributions	ASNPO 4410.65 Restricted contributions for which no corresponding restricted fund is presented should be recognized in the general fund in accordance with the deferral method.	No	Yes	Yes

Framework	Standard	Section reference	Reduction of cost method	Deferral method	Restricted fund method
ASNPO	Section 4433 Tangible Capital Assets	ASNPO 4433.07 For a contributed tangible capital asset, cost is deemed to be fair value at the date of contribution plus all costs directly attributable to the acquisition of the tangible capital asset.	No	Yes	Yes

Appendix 2: Deferral method examples

In this scenario, a government capital grant of \$10,000 was given to Visha’s Child Care to purchase a capital asset worth \$30,000, with a useful life of 5-years. The journal entries recorded are:

1. Recording \$10,000 government capital grant received as a deferred contribution.
2. Purchasing \$30,000 capital asset.
3. Recognizing a portion of the deferred contribution as revenue.
4. Amortization on the capital asset purchased over its useful life.
5. Record the pro-rated repayable amount to Peel Region if a provider leaves the CWELCC program prior to the 7-year commitment. This repayment decreases revenue already recognised.
6. To show repayment to Peel Region.

Table 7. Deferral method examples.

Journal entry number	Debit and credit	Amount (\$)	Description	Remarks
1	DR Cash (asset) CR Deferred contribution - Government grant (liability)	\$10,000 (\$10,000)	Record the government grant received for the purchase of capital assets	
2	DR Capital asset CR Cash (asset)	\$30,000 (\$30,000)	To purchase the capital asset, using a portion or all the government grant received	
3	DR Deferred contribution - Government grant (liability) CR Government grant (revenue)	\$2,000 (\$2,000)	Recognize the portion of the capital asset funded via government grant received through the deferral method	The deferred contribution account will also be amortized over its useful life assuming 5 years (\$10,000 / 5 years = \$2000).
4	DR Amortization expense CR Accumulated amortization-Capital asset	\$6,000 (\$6,000)	Record amortization for the fiscal year, based on a useful life of 5 years.	The capital asset funded will have a cost basis of \$30,000 and amortized by the organization over its useful life assuming 5 years, totally \$6,000 (\$30,000 / 5 years).

Table 7A. Opt-out of CWELCC.

Journal entry number	Debit and credit	Amount (\$)	Description	Remarks
5*	DR Government grant (revenue) CR Repayable to Peel Region	\$2,857.14 (\$2,857.14)	If a provider exits CWELCC after 5 years of a 7-year capital grant, the repayment for the remaining 2 years should be recorded as a reduction in revenue.	\$10,000 grant is spread over 7 years (\$1,428.57 a year). The provider left CWELCC after 5 years and must repay the remaining 2 years, totaling \$2,857.14. (\$1,428.57 x 2 years).
6*	DR Repayable to Peel Region CR Cash	\$2,857.14 (\$2,857.14)	Repayment to Peel Region.	

*This journal entry example applies only to the OTEF Capital Grant. For any other Capital Grants, if a provider opts out of CWELCC closes their business, terminates their agreement with Peel, or fails to complete their expansion project by the specified date, all funds will be recovered. Additionally, if the provider opts out within 7 years after opening the new licensed spaces, according to the Service Agreement, the prorated amount will be recovered.

Appendix 3: Reduction of cost of asset method example (disallowed under ASNPO)

In this scenario, a government capital grant of \$10,000 was provided to Anita's Child Care to support purchasing a capital asset worth \$30,000, with a useful life of 5 years. The journal entries are:

1. Receiving and recording \$10,000 government capital grant as a deferred contribution.
2. Purchasing \$30,000 capital asset.
3. Reducing the capital asset cost basis by the government capital grant received.
4. Amortization of the capital asset over its useful life, based on new cost-basis.
5. Record the pro-rated repayable amount to Peel Region if a Provider leaves the CWELCC program prior to the 7-year commitment. Any reduction in capital grant that is repayable will increase the cost-basis of the capital asset.
6. To show repayment to Peel Region.

Table 8. Examples of the reduction of cost of asset method.

Journal entry number	Debit and credit	Amount (\$)	Description	Remarks
1	DR Cash (asset) CR Deferred contribution - Government grant (liability)	\$10,000 (\$10,000)	Record the government grant received for the purchase of capital assets.	
2	DR Capital asset CR Cash (Asset)	\$30,000 (\$30,000)	Purchase the capital asset, using a portion or all the government grant received.	
3	DR Deferred contribution - Government grant (Liability) CR Capital asset - Government funded portion (asset)	\$10,000 (\$10,000)	Recognize the portion of the capital asset funded via government grant received through the reduction of cost of asset method.	The entire deferred contribution of \$10,000 will be recognized as an offset against the cost of the capital asset.

Journal entry number	Debit and credit	Amount (\$)	Description	Remarks
4	DR Amortization expense	\$4,000	Record amortization for the fiscal year, based on a capital asset with a useful life of 5 years.	The purchase of \$30,000, will be reduced by the \$10,000 government grant. Revised asset cost of \$20,000 is amortized over its useful life of 5 years. (\$20,000 /5 years = \$4,000).
	CR Accumulated amortization – Capital asset	(\$4,000)		

Table 8A. Pro-rated repayable amount to Peel Region upon opting out of CWELCC.

Journal entry number	Debit and credit	Amount (\$)	Description	Remarks
5*	DR Peel funded capital asset (asset)	\$2,857.14	If a provider exits CWELCC after 5 years of a 7-year capital grant, the repayment for the remaining 2 years should be recorded as an increase to the cost-basis of the capital asset.	\$10,000 grant is spread over 7 years (\$1,428.57 a year). The provider left CWELCC program after 5 years and must repay the remaining 2 years, totaling \$2,857.14. (\$1,428.57*2 years)
	CR Repayable to Peel Region	(\$2,857.14)		
6*	DR Repayable to Peel Region	\$2,857.14	Repayment to Peel Region.	
	Cr Cash	(\$2,857.14)		

*This journal entry example applies only to the OTEF Capital Grant. For any other Capital Grants, if a provider opts out of CWELCC closes their business, terminates their agreement with Peel, or fails to complete their expansion project by the specified date, all funds will be recovered. Additionally, if the provider opts out within 7 years after opening the new licensed spaces, according to the Service Agreement, the prorated amount will be recovered.

Appendix 4: Current period grant adjustments

In this scenario, Darlene’s Child Care has an estimated “Repayable to Peel” amount of \$20,000 (as outlined in Note Disclosure Requirement 1).

A journal entry is needed to accrue the repayable in 2025.

Table 9. Current period grant adjustments

Journal entry number	Debit and credit	Amount (\$)	Description	Remarks
1	DR Current grants adjustment (Contra-revenue)	\$20,000	Accrue for repayable	
	CR Repayable to Peel (liability)	(\$20,000)		

Appendix 5: Prior period grant adjustments

In this scenario, Darlene's Child Care initially estimated the repayable amount to be \$10,000 in the prior year and accrued for that amount. However, after submitting the reconciliation and based on the Peel Region's review, the repayable amount was determined to be \$15,000 (not \$10,000). Therefore, Darlene's Child Care must record an additional repayable of \$5,000. This adjustment should be treated as an expense under 'Prior Period Grants Adjustment' and must not be included in current year operating expenses in the current year's statement.

A journal entry is needed to accrue the additional repayable in 2025.

Table 10. Prior period grant adjustments

Journal entry number	Debit and credit	Amount (\$)	Description	Remarks
1	DR Prior period grants adjustment (expense)	\$5,000	Accrue for repayable	Disclose prior period grant adjustments as a separate line item under 'Other items' in the Statement of Operations. Do not include these amounts in current year's operating expenses.
	CR Repayable to Peel Region (liability)	(\$5,000)		

Appendix 6: Summary of LHCC reporting requirements

Table 11. Summary of LHCC reporting requirements.

Particulars	Peel as overseeing service system manager	Peel as secondary service system manager
Note disclosure requirements	Yes	Will provide more information
Note 1: Summary of reconciliation	Yes	Will provide more information
Audited financial statement	Yes	Statement of Revenue and Expenditures for all Peel homes for the calendar year, as a supplement to your audited financial statements
6 to12 reconciliation	Yes	Yes
Consolidated FAIR (including Ministry's Standardize Financial Template)	Yes	No
FAIR for agencies (Peel as secondary SSM)	No	Yes

Appendix 7: 0 to 6 and 6 to 12 proration guides for centres

When a child care centre incurs costs that are attributable to both CWELCC-eligible children (ages 0 to 6) and ineligible children (ages 6 to 12), those costs must be allocated using a reasonable and consistent methodology.

Under CWELCC funding, only the portion of costs attributable to CWELCC-eligible children will be recognized as eligible expenses.

Providers may use the allocation methodology outlined in the provincial guidelines, or an alternative reasonable methodology (see suggested methods below).

To ensure fairness, transparency, and compliance with CWELCC funding, any alternative method must:

- Be applied consistently year over year.
- Be supported by clear documentation that explains the rationale and calculation details.

The ministry's proration method is recommended. All other methods are illustrative only. Providers should use a reasonable method suited to their context and clearly document the chosen approach and rationale.

Program staffing

Table 12. Proration methods for program staffing.

Method	Description	Example
Ministry's method	The recommended method is to weight the operating spaces for each age group by 2 factors: the program staff-to-child ratio (as defined in O. Reg. 137/15) and the typical hours of service.	
Other method: Time-based	Allocate based on hours staff spend with each age group.	Staff work 6 hours with 0 to 6 age group and 2 hours with 6 to 12 age group, 75% of staffing cost to 0 to 6.
Other method: Staff ratio-based	Use required ratios to estimate staffing needs.	0 to 6 ratio is 1:8, 6 to 12 is 1:15 Higher cost share to 0 to 6.
Other method: Actual	Staff are assigned to specific age groups and time is tracked.	Allocate the actuals to 0 to 6

Supervisor salary

Table 13. Proration methods for supervisor salary.

Method	Description	Example
Ministry's method	The recommended method is to weight the operating spaces by age group using only the program staff-to-child ratio for each group as defined in O. Reg. 137/15 .	
Other method: Time-based	Allocate based on time supervisor spends on each age group.	Supervisor spends 70% of time on 0 to 6. Allocate 70% of salary to 0 to 6.
Other method: Staff-based	Allocate based on licensed spaces each age group.	20 spaces for 0 to 6, 10 for 6 to 12 2/3 of salary to 0 to 6.
Other method: Actual	Use time logs.	Supervisor logs show 60% time on 0 to 6 and 40% on 6 to 12.

Occupancy costs

Table 14. Proration methods for occupancy costs.

Method	Description	Example
Ministry's method	The recommended method weights the licensed spaces by the maximum group size ratio as defined in O. Reg. 137/15	
Other method: Space-based	Allocate based on square footage used by each age group.	0 to 6 uses 800 sq ft, 6 to 12 uses 400 sq ft. 2/3 of rent to 0 to 6.
Other method: Room-based	Allocate based on rooms used by each age group.	If 2 rooms are for 0 to 6 out of 6 then 33.33% can be allocated towards 0 to 6.
Other method: Time-based	Allocate based on hours of facility use.	0 to 6 uses space 6 hours each day, 6 to 12 uses 3 hours each day.
Other method: Hybrid	Combine space and time for shared rooms.	Shared room used 70% by 0 to 6 Allocate 70% of cost.

Operating fixed costs

Table 15. Proration methods for operating fixed costs.

Method	Description	Example
Ministry's method	The recommended method is to weigh the operating spaces for each age group by 2 factors: the program staff-to-child ratio (as defined in O. Reg. 137/15) and the typical hours of service.	
Other method: Space-Based	Allocate based on licensed spaces or square footage.	Insurance and utilities split based on space used.
Other method: Staff Ratio-Based	Allocate based on staffing needs each age group.	More staff for 0 to 6 means a higher share of fixed costs.
Other method: Hybrid	Use space for facility costs, ratio for admin costs.	Facility costs 60% to 0 to 6, admin costs 70% to 0 to 6.
Other method: Actual	Allocation based on actuals.	If repairs are specific to rooms or areas used by one age group, then allocate them to that age group

Operating variable costs

Table 15A. Proration methods for operating variable costs.

Method	Description	Example
Ministry's method	The recommended method is to weigh the operating spaces for each age group by 2 factors: the program staff-to-child ratio (as defined in O. Reg. 137/15) and the typical hours of service.	
Other method: Usage-Based	Allocate based on actual consumption (for example, meals, supplies).	If meals or snacks or Program supplies are tracked by age group or child count, then allocate based on actuals
Other method: Time-Based	Allocate based on hours of use for consumables.	Cleaning supplies used more during 0 to 6 age group hours.
Other method: Hybrid	Combine usage logs and time data.	Use logs for food, time for cleaning.

Appendix 8: 0 to 6 and 6 to 12 proration guide for home child care agencies

When an agency incurs costs that are attributable to both CWELCC-eligible children (ages 0 to 6) and ineligible children (ages 6 to 12), those costs must be allocated between the 2 groups using a reasonable and consistent methodology.

Under CWELCC funding, Only the portion of costs attributable to CWELCC-eligible children will be recognized as eligible expenses.

Providers may use the allocation methodology outlined in the provincial guidelines, or an alternative reasonable methodology (see suggested methods below).

To ensure fairness, transparency, and compliance with CWELCC funding. any alternative method must:

- Be applied consistently year over year, and
- Be supported by clear documentation that explains the rationale and calculation details.

The ministry's proration method is recommended. All other methods are illustrative only. Providers should use a reasonable method suited to their context and clearly document the chosen approach and rationale.

Provider compensation component

Table 16. Proration methods for provider compensation component.

Method	Description	Example
Ministry's method	The recommended method is to determine a ratio by dividing the number of eligible children enrolled by the total children enrolled.	
Other method: Child Count-Based	Allocate based on number of eligible (0 to 6) and ineligible (6 to 12) children enrolled.	3 children 0 to 6, 2 children 6 to 12 60% to 0 to 6
Other method: Actual Tracking	Use actual time logs or schedules.	If the logs show 70% time with 0 to 6 then allocate 70% cost to 0 to 6 age group

Supervisor salary

Table 17. Proration methods for supervisor salary

Method	Description	Example
Ministry's method	The recommended method is to determine a ratio by dividing the number of eligible children enrolled by the total children enrolled	
Other method: Child Count-Based	Allocate based on the number of children enrolled at each site, categorized as eligible (ages 0 to 6) and ineligible (ages 6 to 12), where the Home Visitor is assigned.	3 children 0 to 6, 2 children 6 to 12 60% to 0 to 6
Other method: Actual Tracking	Use visit logs or schedules	If the logs show 70% time with 0 to 6, then allocate 70% cost to 0 to 6 age group

Agency operations (variable) component

Table 18. Proration methods for agency operations - variable components.

Method	Description	Example
Ministry's method	The recommended method is to determine a ratio by dividing the number of eligible children enrolled by the total children enrolled.	
Other method: Actuals	Allocate based on actual expenses (for example, agency-purchased supplies).	Track expenses by each home and allocate the actual tracked for each home based on number of 0 to 6 child enrolled vs 6 to 12 child enrolled
Other method: Hybrid	Combine enrolment and actual expenses.	Use enrolment for advertising and actuals for agency-purchased supplies.

Agency operations (fixed) component

Table 19. Proration methods for agency operations - fixed components.

Method	Description	Example
Ministry's method	The recommended method is to determine a ratio by dividing the number of eligible children enrolled by the total children enrolled.	
Other method: Hybrid	Use actuals for Insurance, and enrolment for Office and general.	Insurance costs can be allocated based on actual expenses incurred for each individual home child care provider. Office and general administrative costs at the agency (head office) level can be distributed proportionally based on the number of children enrolled across all homes, categorized by age groups: <ul style="list-style-type: none"> • Eligible (ages 0 to 6) • Ineligible (ages 6 to 12)
Other method: Actual	Allocate based on specific use (for example, Bad debts associated with 0 to 6).	If bad debts only in 0 to 6 then 100% to 0 to 6