

*Financial Statements of*

**COLLEGE OF OPTICIANS OF ONTARIO**

*December 31, 2018*

DRAFT

# COLLEGE OF OPTICIANS OF ONTARIO

## FINANCIAL STATEMENTS

December 31, 2018

### INDEX

	<b>Page</b>
Independent Auditors' Report	1-2
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7-12
Schedule of Council and Committee Expenditures	13



CHARTERED ACCOUNTANTS  
BUSINESS ADVISORS

45 St. Clair Avenue West, Suite 200 Toronto, Ontario M4V 1K9

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## **Independent Auditor's Report**

To the Council of  
College of Opticians of Ontario

We have audited the accompanying financial statements of the College of Opticians of Ontario which comprise the statement of financial position as at December 31, 2018 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Executive Committee's Responsibility for the Financial Statements*

Executive Committee is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not for profit organizations, and for such internal control as council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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## Independent Auditor's Report (continued)

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of College of Opticians of Ontario as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for Not-for-Profit Organizations.

*Sevitt & Associates*

Toronto, Ontario  
May 13, 2019

Chartered Accountants  
Licensed Public Accountants

DRAFT

# COLLEGE OF OPTICIANS OF ONTARIO

## Statement of Financial Position

As at December 31, 2018

	2018	2017
	\$	\$
<b>A S S E T S</b>		
<b>CURRENT</b>		
Cash	2,939,505	1,375,290
Short-term investments (Note 3)	3,561,847	4,102,902
Interest receivable	9,334	15,148
Prepays	<u>25,282</u>	<u>28,613</u>
	<u>6,535,968</u>	<u>5,521,953</u>
<b>CAPITAL ASSETS</b> (Note 4)	<u>354,715</u>	<u>413,474</u>
	<u>6,890,683</u>	<u>5,935,427</u>
<b>L I A B I L I T I E S</b>		
<b>CURRENT</b>		
Payables and accrued liabilities	327,259	134,070
Harmonized sales tax payable	279,687	203,248
Deferred registration fees	<u>2,489,024</u>	<u>2,104,289</u>
	<u>3,095,970</u>	<u>2,441,607</u>
<b>NET ASSETS</b> (Note 2)		
<i>Restricted</i>		
Reserve for Funding of Therapy or Counselling	96,360	96,360
<i>Unrestricted</i>		
Invested in capital assets	354,715	413,474
Operating contingency	1,300,000	1,100,000
Unauthorized Practice contingency	500,000	700,000
Premises contingency	650,000	650,000
Strategic initiatives contingency	200,000	-
General reserve	<u>693,638</u>	<u>533,986</u>
	<u>3,794,713</u>	<u>3,493,820</u>
	<u>6,890,683</u>	<u>5,935,427</u>

Contingency (Note 8)

APPROVED BY: COUNCIL

\_\_\_\_\_  
President

\_\_\_\_\_  
Registrar

**The accompanying notes form an integral part of these financial statements**

# COLLEGE OF OPTICIANS OF ONTARIO

## Statement of Operations For the Year Ended December 31, 2018

	2018	2017
	\$	\$
<b>REVENUE</b>		
Opticians registration fees	2,724,425	2,565,980
Intern and student registration fees	44,145	48,389
Examination fees	143,850	160,650
Miscellaneous income	60,824	43,975
Interest income	54,818	39,079
	<u>3,028,062</u>	<u>2,858,073</u>
<b>EXPENDITURES</b>		
Amortization	92,451	52,298
Audit	13,250	12,924
Committee expenses	3,345	8,467
Communications	36,339	29,817
Computer maintenance, website and database hosting	66,141	75,739
Consulting	63,582	70,656
Council and committee - See schedule	199,971	120,664
Database development	130,524	289,831
Education and development	6,136	2,277
Equipment rental and maintenance	9,396	17,428
External personnel	77,453	71,151
External relations	32,157	28,870
Extraneous discipline expenditures	10,664	510
General office	260,170	206,580
Insurance	8,967	5,730
Investigator	15,247	13,044
Legal	248,952	165,530
Premises rent	224,401	195,700
Printing and postage	33,562	32,864
Quality assurance portfolio	57,434	58,973
Salaries and benefits	1,094,678	960,663
Seat fees and advertising	32,528	20,220
Telephone and fax	9,821	18,910
	<u>2,727,169</u>	<u>2,458,846</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>300,893</u>	<u>399,227</u>

The accompanying notes form an integral part of these financial statements

# COLLEGE OF OPTICIANS OF ONTARIO

## Statement of Changes in Net Assets For the Year Ended December 31, 2018

				2018	2017
	Internally Restricted funds	Invested in capital assets	Unrestricted funds	Total	Total
	\$	\$	\$	\$	\$
Beginning of year	96,360	413,474	2,983,986	3,493,820	3,094,593
Excess of revenue over expenditures	-	(92,451)	393,344	300,893	399,227
Investments in capital assets	<u>-</u>	<u>33,692</u>	<u>(33,692)</u>	<u>-</u>	<u>-</u>
End of year	<u>96,360</u>	<u>354,715</u>	<u>3,343,638</u>	<u>3,794,713</u>	<u>3,493,820</u>

**The accompanying notes form an integral part of these financial statements**

# COLLEGE OF OPTICIANS OF ONTARIO

## Statement of Cash Flows For the Year Ended December 31, 2018

	2018	2017
	\$	\$
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>		
Operating		
Excess of revenue over expenditures	300,893	399,227
Item not affecting cash		
Amortization of capital assets	<u>92,451</u>	<u>52,298</u>
	<u>393,344</u>	<u>451,525</u>
Changes in non-cash working capital		
Interest receivable	5,814	17,148
Prepays	3,331	(12,965)
Payables and accrued liabilities	193,189	18,024
Ontario Bridge funding payable	-	(13,216)
Harmonized sales tax payable	76,439	(40,015)
Deferred registration fees	<u>384,735</u>	<u>(8,361)</u>
	<u>1,056,852</u>	<u>412,140</u>
Investing		
Purchase of capital assets	(33,692)	(427,320)
Purchase of short-term investments	<u>541,055</u>	<u>(962,509)</u>
	<u>507,363</u>	<u>(1,389,829)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	1,564,215	(977,689)
<b>CASH, beginning of year</b>	<u>1,375,290</u>	<u>2,352,979</u>
<b>CASH, end of year</b>	<u>2,939,505</u>	<u>1,375,290</u>

The accompanying notes form an integral part of these financial statements

# COLLEGE OF OPTICIANS OF ONTARIO

## Notes to Financial Statements

December 31, 2018

### ORGANIZATION

The College of Opticians of Ontario (the "College") was incorporated without share capital as a not-for-profit organization under the laws of Ontario for the purpose of assuring public protection in the practice of opticianry and is responsible for administering and enforcing the Regulated Health Professions Act and the Opticianry Act. Accordingly, it is not required to pay income taxes.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for profit organizations and include the following significant accounting policies:

#### *Revenue Recognition*

The College follows the deferral method of accounting for registration fees. The College primarily receives revenue from annual registration fees from its members and is recognized as revenue in the calendar year. Deferred registration fees are represented by amounts received before year end for licensing in the next year. In addition revenue from examination fees are recognized in the year they are earned. Interest income is recorded on an accrual basis as earned.

#### *Financial Instruments*

The College initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The College subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash, interest receivable and short-term investments. Financial liabilities measured at amortized cost include payables and accrued liabilities.

The College has not designated any financial asset or financial liability to be measured at fair value.

#### *Impairment*

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in statement of operations.

# COLLEGE OF OPTICIANS OF ONTARIO

## Notes to Financial Statements

December 31, 2018

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Financial Instruments (continued)*

##### Transaction costs

The College's transactions costs related to financial instruments that will be subsequently measured at fair value are recognized in net income in the period incurred. The carrying amount of the financial instruments that will not be subsequently measured at fair value is adjusted for transaction costs directly attributable to the origination, issuance or assumption of these instruments.

##### *Capital Assets*

The costs of capital assets are capitalized upon meeting criteria as a long term asset for recognition as a capital asset, otherwise costs are expensed as incurred. The cost of a capital asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates:

Furniture and fixtures	20% declining balance
Computer equipment	30% declining balance
Leasehold improvements	5 years straight line

##### *Measurement Uncertainty*

The preparation of the financial statements is in conformity with Canadian generally accepted accounting principles. This requires management to make estimates and assumptions that effect the reported amount of assets and liabilities and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported year. These estimates include the useful life of capital assets and accrued liabilities. Actual results could differ from these estimates.

##### *Impairment of Long Lived Assets*

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that the carry amount of the assets may not be recoverable. An impairment loss is recognized when the carrying amount of the long-lived asset exceeds the sum of the undiscounted future cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

# COLLEGE OF OPTICIANS OF ONTARIO

## Notes to Financial Statements

December 31, 2018

### 2. NET ASSETS

The financial statements have been prepared in a manner which segregates net assets balances and have been allocated by Executive Council as follows:

	2018	2017
	\$	\$
<b>Restricted</b>		
Reserve for Funding of Therapy or Counselling	<u>96,360</u>	<u>45,000</u>

As per legislative requirements, funds have been put aside for the funding of sexual abuse therapy. Council has set aside an amount equal to six (6) times the maximum amount which can be granted to a patient seeking therapy for sexual abuse.

	2018	2017
	\$	\$
<b>Unrestricted</b>		
Invested in capital assets	354,715	413,474
Operating contingency	1,300,000	1,100,000
Unauthorized Practice contingency	500,000	700,000
Premises contingency	650,000	650,000
Strategic initiatives contingency	200,000	-
General reserve	<u>693,638</u>	<u>533,986</u>
	<u>3,698,353</u>	<u>3,397,460</u>

Capital assets: Are reflected on the statement of financial position and include leaseholds, computers, furniture and fixtures that are utilized in the day-to-day operations of the College.

Operating contingency: Represents six (6) months' projected operating expenses.

Unauthorized practice contingency: As part of its Strategic Plan, the College is committed to prosecuting unauthorized practice. It is important to note that the College is engaged in a large internet based unauthorized practice case with an injunction sought before the courts. The case is at the appeals stage and poses significant legal costs to transact. The fund has been reduced by \$200,000 to reflect legal expenses already incurred during 2018 that are specifically attributed to an ongoing unauthorized practice matter.

# COLLEGE OF OPTICIANS OF ONTARIO

## Notes to Financial Statements

December 31, 2018

### 2. NET ASSETS (CONTINUED)

Premises contingency: With the completion of the office move it is recommended that funds be accumulated in a premises contingency fund to address requirements at the end of the current lease ranging from a lease extension with premises refurbishment, moving to a new premise and associated leasehold improvements or the possible purchase of a premise.

Strategic initiatives contingency: Council has set aside this amount to support the College's new Strategic Plan 2020-2022. While funds will be allocated in the budget for activities that support initiatives such as council governance reform, the contingency fund will be directed to any unforeseen directives issued by the government.

General reserve: This fund represents the general reserve and is the remainder of the surplus funds after the other restricted and unrestricted amounts are taken into consideration. These funds can be used for any unexpected or unbudgeted items including the implementation of new legislative changes.

All allocations for above specified contingencies were approved by the Executive Council.

### 3. INVESTMENTS

The investments are held in an investment account with BMO Nesbitt Burns and comprise of five separate Guaranteed Investment Certificates, each with maturity dates of one year from date of acquisition, which when combined total \$500,000 (2017 - \$1,500,900) plus the remaining balance in a high interest savings account with interest which fluctuates with prime rate.

The financial statements include all accrued interest earned to December 31, 2018.

### 4. CAPITAL ASSETS

	Cost \$	Accumulated Depreciation \$	Net Book Value	
			2018 \$	2017 \$
Furniture and fixtures	438,582	277,307	161,275	196,411
Computer equipment	234,248	216,337	17,911	13,930
Leasehold improvements	<u>245,189</u>	<u>69,660</u>	<u>175,529</u>	<u>203,133</u>
	<u>918,019</u>	<u>563,304</u>	<u>354,715</u>	<u>413,474</u>

# COLLEGE OF OPTICIANS OF ONTARIO

## Notes to Financial Statements

December 31, 2018

### 5. BANK INDEBTEDNESS

As at December 31, 2018 the College has an unused unsecured credit facility of a \$100,000 Operating Line of Credit at prime rate plus 1%.

### 6. FINANCIAL INSTRUMENTS

The College is exposed to various financial risks through transactions in financial instruments. There is exposure to the following risks:

#### *Credit Risk*

Credit risk arises from the possibility that third parties may experience financial difficulty and be unable to fulfill their commitments. The College's maximum exposure to credit risk is represented by the carrying value of short-term investments, bank and receivable.

All of the College's cash and investments are held with reputable Canadian financial institutions from which management believes loss through risk exposure to be minimal.

#### *Liquidity Risk*

Liquidity risk is the risk that the College may not be able to fund its obligations as they come due. The College manages its liquidity risk by monitoring its operational requirements to ensure financial resources are available.

#### *Interest Rate Risk*

Interest rate risk is the risk that the future cash flows of financial instruments will fluctuate because of changes in market interest rates. The College is exposed to interest rate risk on its high interest savings account.

# COLLEGE OF OPTICIANS OF ONTARIO

## Notes to Financial Statements

December 31, 2018

### 7. COMMITMENTS

The College has entered into agreements to lease its premises and office equipment for various periods. The existing premises lease commence on July 1, 2017 for a ten year period.

The annual rent of premises consists of a minimum base rent plus operating expenses, realty taxes and hydro charges for that period. Minimum base rent payable for premises and equipment in aggregate is as follows:

	Premises	Equipment	Total
	\$	\$	\$
2019	105,710	9,920	115,630
2020	105,710	9,920	115,630
2021	105,710	9,920	115,630
2022	112,918	7,440	120,358
2023	120,125	-	120,125
2024	120,125	-	120,125
2025	120,125	-	120,125
2026	120,125	-	120,125
2027	<u>60,062</u>	<u>-</u>	<u>60,062</u>
	<u>970,610</u>	<u>37,200</u>	<u>1,007,810</u>

### 8. CONTINGENT LIABILITY

The College is listed as a co-defendant in a Statement of Claim against it in the sum of \$1,500,000. This is being vigorously defended by the College and in the opinion of Management even should there be any potential liability that might be awarded at the resolution of the claim, there is sufficient insurance coverage to fully cover it.

### 9. SUBSEQUENT EVENT

Subsequent to year end, resulting from a court decision, the College will be required to pay a total of \$99,015 in legal costs, unless the decision is successfully appealed.

# COLLEGE OF OPTICIANS OF ONTARIO

## Schedule of Council and Committee Expenditures

For the Year Ended December 31, 2018

			2018	2017
			\$	\$
	Honoraria	Expenses	Total	Total
<b>Statutory / By-Law Committees</b>				
Council	39,025	29,405	68,430	40,351
Discipline	15,600	13,245	28,845	21,793
Executive	7,494	6,579	14,073	8,933
Governance	7,481	2,516	9,997	5,897
ICRC / Complaints	16,588	11,839	28,427	16,884
Patient Relations	5,181	1,633	6,814	-
Quality Assurance	16,844	5,231	22,075	12,753
Registration	12,128	7,219	19,347	13,074
 <b>Ad-Hoc Committees</b>				
Miscellaneous Ad hoc	<u>919</u>	<u>1,044</u>	<u>1,963</u>	<u>979</u>
	<u>121,260</u>	<u>78,711</u>	<u>199,971</u>	<u>120,664</u>