

COLLEGE OF OPTOMETRISTS OF ONTARIO

FINANCIAL STATEMENTS

DECEMBER 31, 2017

COLLEGE OF OPTOMETRISTS OF ONTARIO

DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Members of College of Optometrists of Ontario

We have audited the accompanying financial statements of College of Optometrists of Ontario, which comprise the balance sheet as at December 31, 2017, the statements of changes of net assets, revenue and expenditures and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management 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 management 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 of 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the College of Optometrists of Ontario as at December 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The financial statements for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on April 6, 2017. The previous auditor merged their practice with the auditor providing the unmodified opinion on these financial statements.

Tapp & Company LLP

Toronto, Ontario
April 9, 2018

Chartered Professional Accountants
Licensed Public Accountants

COLLEGE OF OPTOMETRISTS OF ONTARIO

BALANCE SHEET

AS AT DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT		
Cash	\$2,588,514	\$2,432,821
Short-term investments (Note 3)	953,549	1,531,497
Prepaid expenses	<u>15,885</u>	<u>17,827</u>
	3,557,948	3,982,145
LONG-TERM INVESTMENTS (Note 4)	3,388,184	2,577,731
CAPITAL ASSETS (Note 5)	<u>181,233</u>	<u>218,183</u>
	<u>\$7,127,365</u>	<u>\$6,778,059</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 50,935	\$ 109,241
HST payable	258,109	267,403
Fees received in advance	<u>2,183,370</u>	<u>2,126,261</u>
	<u>2,492,414</u>	<u>2,502,905</u>
NET ASSETS		
INVESTED IN CAPITAL ASSETS	181,233	218,183
APPROPRIATED SPECIAL POLICY FUNDS	2,800,000	2,350,000
UNAPPROPRIATED SURPLUS	<u>1,653,718</u>	<u>1,706,971</u>
	<u>4,634,951</u>	<u>4,275,154</u>
	<u>\$7,127,365</u>	<u>\$6,778,059</u>

APPROVED ON BEHALF OF THE COUNCIL:



President

COLLEGE OF OPTOMETRISTS OF ONTARIO
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
INVESTED IN CAPITAL ASSETS		
Balance, beginning of year	\$ 218,183	\$ 261,723
Invested in capital assets	<u>(36,950)</u>	<u>(43,540)</u>
Balance, end of year	<u>\$ 181,233</u>	<u>\$ 218,183</u>
APPROPRIATED SPECIAL POLICY FUNDS		
Office Acquisition	<u>\$2,000,000</u>	<u>\$2,000,000</u>
Patient Relations	<u>30,000</u>	<u>30,000</u>
Special Contingencies	<u>20,000</u>	<u>20,000</u>
Unauthorized Practice	<u>250,000</u>	<u>250,000</u>
New Government Initiatives		
Balance, beginning of year	50,000	50,000
Appropriations (Note 12)	<u>50,000</u>	<u>-</u>
Balance, end of year	<u>100,000</u>	<u>50,000</u>
Investigations and Hearings		
Balance, beginning of year	-	-
Appropriations (Note 12)	<u>200,000</u>	<u>-</u>
Balance, end of year	<u>200,000</u>	<u>-</u>
Fee Stabilization		
Balance, beginning of year	-	-
Appropriations (Note 12)	<u>100,000</u>	<u>-</u>
Balance, end of year	<u>100,000</u>	<u>-</u>
Public Engagement		
Balance, beginning of year	-	-
Appropriations (Note 12)	<u>50,000</u>	<u>-</u>
Balance, end of year	<u>50,000</u>	<u>-</u>
Research		
Balance, beginning of year	-	-
Appropriations (Note 12)	<u>50,000</u>	<u>-</u>
Balance, end of year	<u>50,000</u>	<u>-</u>
	<u>\$2,800,000</u>	<u>\$2,350,000</u>
UNAPPROPRIATED SURPLUS		
Balance, beginning of year	\$1,706,971	\$ 998,172
Excess of revenue over expenditure	<u>359,797</u>	<u>665,259</u>
	<u>2,066,768</u>	<u>1,663,431</u>
Appropriations (Note 12)	<u>(450,000)</u>	<u>-</u>
Invested in capital assets	<u>36,950</u>	<u>43,540</u>
Balance, end of year	<u>\$1,653,718</u>	<u>\$1,706,971</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

COLLEGE OF OPTOMETRISTS OF ONTARIO
STATEMENT OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
REVENUE		
Annual registration fees	\$2,278,951	\$2,242,582
Professional corporation	287,115	309,958
Quality assurance	13,574	38,531
Continuing education	5,307	550
Other income	<u>3,079</u>	<u>5,022</u>
	2,588,026	2,596,643
EXPENDITURES		
Discipline Committee (Note 7)	190,887	105,503
Inquires, Complaints and Reports Committee (Note 7)	130,760	72,250
Quality Assurance Committee (Note 7)	105,970	64,415
Council meeting and training expense	83,180	82,291
Executive Committee	75,451	46,352
Registration Committee (Note 7)	45,977	51,942
Clinical Practice Committee	35,504	29,857
College representation	33,777	50,539
Patient Relations Committee	24,948	12,242
Membership contributions (Note 8)	23,350	54,675
Governance Committee	20,654	-
Jurisprudence examination expense	13,055	12,390
Continuing education expense	1,664	8,931
Government regulations	<u>-</u>	<u>493</u>
	785,177	591,880
COLLEGE ADMINISTRATION ACTIVITIES		
Salaries and benefits	942,382	862,423
Office operation	239,797	246,290
Occupancy costs (Note 11(b))	149,243	142,221
Consulting (Note 9)	56,305	43,630
Accounting and audit fees	48,022	47,153
OE Tracker expense	45,988	48,346
General legal fees (Note 7)	27,932	17,374
Amortization	<u>41,397</u>	<u>47,492</u>
	1,551,066	1,454,929
TOTAL EXPENDITURES	2,336,243	2,046,809

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**COLLEGE OF OPTOMETRISTS OF ONTARIO
STATEMENT OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>
EXCESS OF REVENUE OVER EXPENDITURES BEFORE OTHER EXPENDITURES AND INCOME	251,783	549,834
OTHER EXPENDITURES		
Unauthorized practice and dispensing	129,703	83,574
Research for entry-to-practice exam	<u>17,500</u>	<u>-</u>
	<u>147,203</u>	<u>83,574</u>
OTHER INCOME		
Investment income (Note 10)	182,957	46,527
Unrealized gain on investments	<u>72,260</u>	<u>152,472</u>
	<u>255,217</u>	<u>198,999</u>
EXCESS OF NET REVENUE OVER EXPENDITURES	\$ <u>359,797</u>	\$ <u>665,259</u>

COLLEGE OF OPTOMETRISTS OF ONTARIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 359,797	\$ 665,259
Adjustments for:		
Amortization of capital assets	41,397	47,492
Net unrealized (gain) on investments	<u>(72,260)</u>	<u>(152,472)</u>
	328,934	560,279
Changes in non-cash working capital:		
Decrease in accounts receivable	-	5,777
Decrease in prepaid expenses	1,942	66,077
(Decrease) increase in accounts payable and accrued liabilities	(58,306)	55,604
(Decrease) increase in HST payable	(9,294)	14,366
Increase in fees received in advance	<u>57,109</u>	<u>38,967</u>
Cash flow from operating activities	<u>320,385</u>	<u>741,070</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(4,447)	(3,952)
Net increase in investments	<u>(160,245)</u>	<u>(677,781)</u>
Cash flow from investing activities	<u>(164,692)</u>	<u>(681,733)</u>
INCREASE IN CASH	155,693	59,337
CASH, beginning of year	<u>2,432,821</u>	<u>2,373,484</u>
CASH, end of year	<u>\$2,588,514</u>	<u>\$2,432,821</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

COLLEGE OF OPTOMETRISTS OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

1. NATURE OF OPERATIONS

The College of Optometrists of Ontario (College) was incorporated without share capital in 1963 as a not-for-profit organization exempt from taxes under the Income Tax Act. The College is a self-regulatory authority responsible for the registering (licensing) and governing of optometrists in Ontario. The College's mission is to serve the public by regulating Ontario's optometrists and uses its authority to guide the profession in the delivery of safe, ethical, progressive and quality eye care at the highest standards.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and includes the following significant accounting policies:

(a) Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of resources available, the College follows the fund method of accounting.

Invested in capital assets fund reports the flow of funds related to the acquisition and disposal of capital assets of the College.

Appropriated special policy funds reports funds set aside by the Council for specific purposes as follows:

Office Acquisition Fund: To provide funding for the future purchase of an office premises.

Patient Relations Fund: To provide funding for the Patient Relations program which includes measures for preventing and dealing with sexual abuse of patients.

Special Contingencies: To provide funding for costs incurred with the determination and resolution of unanticipated issues as identified by the College.

Unauthorized Practice: To set aside additional funding for unanticipated costs in pursuing legal action against unauthorized practice and dispensing.

New Government Initiatives: To provide funding for initiatives undertaken by the College to address the enactment of new or amended legislation and regulations.

Investigations and Hearings: To provide funding to the College ICRC and Discipline committees for unanticipated costs of complex investigations and hearings.

Fee Stabilization: To provide funding to defray unanticipated fee increase as a result of a temporary shortfall in revenue.

Public Engagement: To provide funding for the enhancement of public participation and consultation in the College's regulatory activities.

Research: To provide funding for the process development and related research into clinical regulatory matters.

COLLEGE OF OPTOMETRISTS OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Fund Accounting (continued)

Unappropriated surplus fund reports the revenue and expenditures of the general operation of the College and follows the accrual basis of accounting.

(b) Cash and Cash Equivalents

Cash and cash equivalents comprise of cash on hand with a financial institution and amounts held by investment brokers.

(c) Short-Term and Long-Term Investments

Investments consist of guaranteed investment certificates, bonds, stocks, income trusts and mutual funds. The College has elected to state all of their investments at quoted market values under the Canadian accounting standards for not-for-profit organizations. Long-term investments reflect investments that mature or are not intended to be sold at end of the following fiscal year-end. The investment income is recognized as revenue in the year in which it is earned. Gains and losses on the sale of investments are recorded as investment income when realized.

For investments which have not been sold or have not matured, the unrealized gains and losses are recognized at the end of each fiscal year and are reported in the statement of revenue and expenditures.

(d) Prepaid expenses

Prepaid expenses are primarily comprised of advance payments made to vendors for facility rental, membership dues, membership contributions and contracts for services received in the following year.

(e) Capital Assets

Capital assets are stated at acquisition cost. Amortization is provided on a diminishing balance basis using the following rates:

Computer hardware	- 30-55% diminishing balance
Furniture and equipment	- 20% diminishing balance
Leasehold improvements	- 20% straight line

Leasehold improvements are amortized over the term of the lease.

(f) Revenue Recognition

Members of the College pay a registration fee upon admission as a member. Other fees include registration of a professional corporation fees, quality assurance fees, continuing education fees, credential assessment fees and letter of good standing fees. Registration and other fees are recorded as income upon receipt of these fees and when the services for these fees have been provided.

COLLEGE OF OPTOMETRISTS OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fees Received in Advance

Annual member fees are billed each November. These fees relate to membership for the following fiscal year and, accordingly, these amounts are shown as fees received in advance at year-end.

(h) Measurement of Financial Instruments

The College initially measures its financial assets and liabilities at fair value. The organization subsequently measures all its financial assets and financial liabilities at amortized cost except for investments, which are stated at fair values at the year-end date.

Financial assets measured at amortized cost are accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and fees received in advance.

(i) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting standards for not-for-profit requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. An area requiring the use of management's judgment relates to the estimated useful lives of capital assets. Actual results may differ from these estimates.

(j) Contributed services

The organization uses volunteers to assist in the Corporation's activities. While these services benefit the Corporation considerably, a reasonable estimate of the time spent and its fair market value cannot be made and accordingly, these contributed services are not recognized in the financial statements.

3. SHORT-TERM INVESTMENTS

	<u>2017</u>	<u>2016</u>
	Market value	Market value
Short-term investments	<u>\$ 953,549</u>	<u>\$1,531,497</u>
	Cost	Cost
Short-term investments	<u>\$ 955,746</u>	<u>\$1,531,497</u>

Short-term investments mature or are redeemable at various dates not exceeding 12 months and consist of \$633,193 (2016 - \$1,258,975) in guaranteed investment certificates and T-bill with interest rates of 1% to 1.1% (2016 - .61% to 1.7%), and \$320,356 (2016 - \$272,522) in high interest performer accounts with interest rates of .9% to 1.2% (2016 - 1%).

COLLEGE OF OPTOMETRISTS OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

4. LONG-TERM INVESTMENTS

	<u>2017</u>	<u>2016</u>
	Market value	Market value
Long-term investments	<u>\$3,388,184</u>	<u>\$2,577,731</u>
	Cost	Cost
Long-term investments	<u>\$3,161,306</u>	<u>\$2,425,312</u>

Long-term investments consist of \$1,770,663 (2016 - \$1,516,096) in fixed income funds with effective interest rates ranging from 1.25% to 7.4% (2016 - 1.35% to 6.69%), \$905,132 (2016 - \$617,855) in Canadian equities and \$712,389 (2016 - \$443,780) in U.S. and international equities. Investments in fixed income funds mature or are redeemable at dates ranging from 4 to 16 years.

5. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	Net 2017	Net <u>2016</u>
Computer hardware	\$ 104,844	\$ 98,023	\$ 6,821	\$ 7,811
Furniture and equipment	98,133	67,644	30,489	38,111
Leasehold improvements	<u>259,516</u>	<u>115,593</u>	<u>143,923</u>	<u>172,261</u>
	<u>\$ 462,493</u>	<u>\$ 281,260</u>	<u>\$ 181,233</u>	<u>\$ 218,183</u>

6. RETIREMENT PENSION PLAN

The College sponsors a defined contribution pension plan covering all eligible employees. Contributions are based on a percentage of the employee's compensation.

7. COMMITTEE AND GENERAL LEGAL FEES

Committee legal fees represent legal costs specific to the activities of a Committee and are included in the total expenditure for that Committee as follows:

	<u>2017</u>	<u>2016</u>
Discipline Committee	\$ 182,181	\$ 93,196
Less: Recovery of legal costs	<u>(61,160)</u>	<u>(22,124)</u>
	<u>\$ 121,021</u>	<u>\$ 71,072</u>
Inquires, Complaints and Reports Committee	<u>\$ 53,905</u>	<u>\$ 28,355</u>
Quality Assurance Committee	<u>\$ 1,040</u>	<u>\$ NIL</u>
Registration Committee	<u>\$ 8,158</u>	<u>\$ 10,421</u>

General legal fees represent legal costs that have not been identified as a specific legal expense to the activities of a Committee.

COLLEGE OF OPTOMETRISTS OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

8. MEMBERSHIP CONTRIBUTIONS

	<u>2017</u>	<u>2016</u>
Canadian Examiners in Optometry	\$ -	\$ 54,675
Federation of Optometric Regulatory Authorities of Canada	<u>23,350</u>	<u>-</u>
	<u>\$ 23,350</u>	<u>\$ 54,675</u>

9. CONSULTING

	<u>2017</u>	<u>2016</u>
Data base project management	<u>\$ 56,305</u>	<u>\$ 43,630</u>

The College undertook to implement an information management data base system that required outside project management services to administer the implementation process.

10. INVESTMENT INCOME

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 106,815	\$ 97,782
Realized gain (loss) on investments	<u>76,142</u>	<u>(51,255)</u>
	<u>\$ 182,957</u>	<u>\$ 46,527</u>

11. COMMITMENTS

(a) Equipment Operating Leases

The College leases office equipment under long term lease arrangements which require the following payments over the following two years.

2018	\$ 11,771
2019	<u>2,688</u>
	<u>\$ 14,459</u>

(b) Premise Operating Lease

The College entered into a ten year lease agreement for their premises effective March 1, 2014. The monthly occupancy cost includes a monthly base lease amount and the College's share of property taxes and operating costs. The minimum annual base lease payments for the next five years and thereafter are as follows:

2018	\$ 61,104
2019	61,104
2020	61,104
2021	61,953
2022	63,650
thereafter	<u>137,908</u>
	<u>\$ 446,823</u>

COLLEGE OF OPTOMETRISTS OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

12. APPROPRIATED SPECIAL POLICY FUNDS

On April 6, 2017, the Council approved the appropriation of \$450,000 from the Unappropriated Surplus fund to various Appropriated Special Policy funds to recognize specific operating and capital initiatives.

13. FINANCIAL INSTRUMENTS

The College is exposed to various risks through its financial instruments. The College has a risk management framework to monitor, evaluate and manage the principle risks assumed. The College is primarily exposed to market price, interest rate, currency and liquidity risk.

(a) Market Price Risk:

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The investments in publicly traded securities exposes the College to market price risk as these equity investments are subject to price fluctuations. There has been no change in this risk assessment from the prior year.

(b) Interest Rate Risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The College is exposed to interest rate risk by the dollar amount of the investment and the fluctuations in market interest rates. There has been no change in this risk assessment from the prior year

(c) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The College is exposed to currency risk from gains and losses due to fluctuations in foreign currency exchange rates on US and international equity investments. There has been no change in this risk assessment from the prior year.

(d) Liquidity risk:

Liquidity risk is the risk that the College will not be able to meet its obligations as they come due. The College is primarily exposed to liquidity risk through accounts payable, accrued liabilities and government remittances payable. The College meets its liquidity requirements by preparing and monitoring forecasts of cash flows from operations, anticipating investing activities and holding assets that can be readily converted into cash. There has been no change in this risk assessment from the prior year.