



BRIEFING NOTE

Council Meeting – June 2021

Subject

Auditor Presentation of Draft Financial Statements.

Background

The College's auditors, BDO Canada LLP, have been conducting the annual audit of the College's financial statements for the fiscal year ending December 31, 2020, and will present the Draft Financial Statements to Council.

Decision for Council

To approve the draft Financial Statements for the year ending December 31, 2020.

Supporting Materials

- Draft Financial Statements for the year ending December 31, 2020.

Contact

- Deborah McKeon, Manager, Finance and Office Administration

**College of Optometrists of Ontario
Financial Statements
For the year ended December 31, 2020**

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Independent Auditor's Report

To the Members of College of Optometrists of Ontario

Opinion

We have audited the accompanying financial statements of College of Optometrists of Ontario (the "College"), which comprise the balance sheet as at December 31, 2020, and the statements of changes in net assets, revenue and expenditures and cash flows for the year then ended, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as at December 31, 2020, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Restated Comparative Information

Note 14 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

As part of our audit of the financial statements for the year ended December 31, 2020, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2019. In our opinion, such adjustments are appropriate and have been properly applied.

Other than in respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review or apply any procedures to the financial statements for the year ended December 31, 2019. Accordingly, we do not express an opinion or any other form of assurance on the financial statements for the year ended December 31, 2019 taken as a whole.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the College's financial reporting process.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 College's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the College to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants
Oakville, Ontario
REPORT DATE

College of Optometrists of Ontario
Balance Sheet

December 31 **2020** **2019**

Assets

Current

Cash	\$ 2,525,248	\$ 605,010
Short-term investments (Note 3)	1,096,023	3,497,166
Accounts receivable	27,132	28,826
Prepaid expenses	13,758	23,473
	3,662,161	4,154,475

Long-term investments (Note 4)

4,558,610 **3,865,175**

Capital assets (Note 5)

132,312 **122,565**

\$ 8,353,083 **\$ 8,142,215**

Liabilities and Members' Equity

Current liabilities

Accounts payable and accrued liabilities	\$ 116,549	\$ 124,600
Government remittances payable	245,745	289,735
Deferred revenue	2,304,213	2,394,982
	2,666,507	2,809,317

Funds in trust (Note 6)

30,924 **36,949**

2,697,431 **2,846,266**

Net Assets

Invested in capital assets	132,312	122,565
Internally restricted funds (Note 7)	3,266,000	3,266,000
Unrestricted fund	2,257,340	1,907,384
	5,655,652	5,295,949

\$ 8,353,083 **\$ 8,142,215**

Approved on Behalf of the Council:

_____ President

_____ President

The accompanying notes are an integral part of these financial statements.

College of Optometrists of Ontario
Statement of Changes in Net Assets

For the year ended December 31

	Invested in Capital Assets	Other Internally Restricted Funds	Unrestricted Funds	2020 Total
2020				
Balance, beginning of year	\$ 122,565	\$ 3,266,000	\$ 1,907,384	\$ 5,295,949
Excess of revenue over expenditures	-	-	359,703	359,703
Interfund transfers (Note 7)	9,747	-	(9,747)	-
Balance, end of year	\$ 132,312	\$ 3,266,000	\$ 2,257,340	\$ 5,655,652
2019 (Note 14)				
Balance, beginning of year	\$ 144,837	\$ 3,370,000	\$ 1,302,305	\$ 4,817,142
Excess of revenue over expenditures	-	-	478,807	478,807
Interfund transfers (Note 7)	(22,272)	(104,000)	126,272	-
Balance, end of year	\$ 122,565	\$ 3,266,000	\$ 1,907,384	\$ 5,295,949

The accompanying notes are an integral part of these financial statements.

College of Optometrists of Ontario Statement of Revenue and Expenditures

For the year ended December 31

2020

2019

(Note 14)

Revenue

Annual registration fees	\$ 2,513,595	\$ 2,474,279
Professional corporation fees	226,689	372,841
Services and other fees and recoverables	27,707	89,971
	<u>2,767,991</u>	<u>2,937,091</u>

Expenditures

Council meeting and training expense	82,524	119,996
Inquiries, Complaints, and Reports Committee	52,698	61,561
Quality Assurance Committee	41,844	103,881
Executive Committee	41,720	25,597
Strategic planning	39,225	22,599
Stakeholder engagement	30,082	43,254
Membership contributions (Note 8)	26,440	25,140
Discipline Committee	20,408	69,068
Registration Committee	17,009	39,527
Governance Committee	16,369	58,226
Clinical Practice Committee	11,789	25,347
Audit, Finance, Risk Committee	9,188	15,488
Patient Relations Committee	2,327	10,643
	<u>391,623</u>	<u>620,327</u>

College administration activities

Salaries and benefits (Note 9)	1,522,069	1,100,572
Legal fees (Note 14)	170,215	420,908
Administration and services	167,306	263,715
Occupancy costs	155,704	156,269
IT services and maintenance	71,507	111,557
IT projects	65,888	50,480
Professional fees - consulting	57,192	13,190
Amortization of capital assets	55,739	41,056
OE tracker expense	52,565	50,766
Education and program delivery	23,473	61,087
Accounting and audit fees	21,500	40,050
Research	15,000	15,000
	<u>2,378,158</u>	<u>2,324,650</u>

Total expenditures before other items

2,769,781 2,944,977

**Deficiency of revenue over expenses for the year
before other income**

(1,790) (7,886)

Other income

Investment Income	158,532	216,568
Unrealized gain on investments	182,136	270,125
TWS subsidy (Note 12)	20,825	-
	<u>361,493</u>	<u>486,693</u>

Net excess of revenue over expenditures

\$ 359,703 \$ 478,807

The accompanying notes are an integral part of these financial statements.

College of Optometrists of Ontario
Statement of Cash Flows

For the year ended December 31	2020	2019
		(Note 14)
Cash flows provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year	\$ 359,703	\$ 478,807
Adjustments for items not involving cash:		
Amortization of capital assets	55,739	41,056
Net unrealized gain on investments	(182,136)	(270,125)
Changes in non-cash working capital balances		
Accounts receivable	1,694	(28,826)
Prepaid expenses	9,715	(2,090)
Accounts payable and accrued liabilities	(8,051)	70,827
Government remittances payable	(43,990)	18,146
Deferred revenue	(90,769)	78,579
Funds in trust	(6,025)	(6,581)
	95,880	379,793
Investing activities		
Purchase of capital assets	(65,486)	(18,784)
Net increase (decrease) in investments	1,889,844	(2,413,432)
	1,824,358	(2,432,216)
Increase (decrease) in cash during the year	1,920,238	(2,052,423)
Cash, beginning of year	605,010	2,657,433
Cash, end of year	\$ 2,525,248	\$ 605,010

The accompanying notes are an integral part of these financial statements.

College of Optometrists of Ontario

Notes to Financial Statements

December 31, 2020

1. Nature of Operations

The College of Optometrists of Ontario (the "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 the Province of 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 ("ASNPO") and includes the following significant account policies:

Short-Term and Long-Term Investments

Investments consist of guaranteed investment certificates, bonds, stocks, income trusts and mutual funds. Long-term investments reflect investments that mature after the end of the following fiscal year-end or are held for long term fund purposes. 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.

Prepaid Expenses

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

Capital Assets

Capital assets are stated at acquisition cost less accumulated amortization. Amortization is provided using the following rates and methods:

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

Revenue Recognition

Annual registration fees

Annual registration fees represent membership fees and member application fees. Fees are set annually by the Council and are recognized as revenue in the year to which they relate. Annual registration fees received in advance of the membership year to which they relate are recorded as deferred revenue.

Professional corporation fees

Professional corporation fees represent the application fee to operate a profession corporation as regulated by the College and the related annual renewal fees. Professional corporation fees are recognized upon the successful completion of the application process.

College of Optometrists of Ontario Notes to Financial Statements

December 31, 2020

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Services and other fees and recoverables

Services and other fees and recoverables represent quality assurance, continuing education and other service fees. Revenue is recognized at the time the service has been rendered.

Internally Restricted Funds

The College maintains a number of internally restricted funds. The funds are established and managed by way of Board resolutions which designate that funds be set aside and used for specific strategic purposes. The following is a description of each of the College's internally restricted funds:

Invested in capital assets fund: to report the flow of funds related to the acquisition, disposal and amortization of capital assets of the College.

Contingency fund: To set aside funding for costs incurred in the resolution of unanticipated issues as identified by the College.

Entry-to-Practice Exam Development fund: To set aside funding for the development of a new entry practice examination.

Fee Stabilization fund: To set aside funding to defray an unanticipated fee increase as a result of a temporary shortfall in revenue. This fund includes a reserve in the amount of \$500,000 which, in response to the COVID-19 pandemic, provides a one-time reduction to members of \$200 each from their submitted 2022 annual membership fee.

Investigations and Hearings fund: To set aside funding to the College's Inquiries, Complaints and Reports Committee ("ICRC") and Discipline Committee for the unanticipated costs of complex investigations and hearings.

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

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

Public Awareness fund: To set aside funding for the enhancement of public participation and consultation in the College's regulatory activities, and to provide priority funding to facilitate a sustainable program of public awareness and connection to the mandate of the College as described in the College Performance Measurement Framework ("CPMF") and Strategic plan.

Office Acquisition fund: To set aside funding for the future purchase of office premises. During the year, Council approved a transfer of \$2,250,000 from this fund to various other internally restricted funds, as detailed in Note 7.

Research fund: To set aside funding for the process development and related research into clinical regulatory matters. During the prior year, Council approved a transfer of \$250,000 from this fund to various other internally restricted funds, as detailed in Note 7.

Staff Development and Succession Planning fund: To set aside contemporary, post pandemic professional development and technology to staff; to provide leadership development for succession planning within the College; to normalize compensation packages as determined by the HR/Governance Committee.

College of Optometrists of Ontario Notes to Financial Statements

December 31, 2020

2. Summary of Significant Accounting Policies (continued)

Internally Restricted Fund (continued)

Strategic Plan and CPMF fund: To set aside funds to rapidly address the areas identified in the CPMF as “not” or “partially” met to meet Ministry of Health (“MOH”) requirements (October 2021).

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

The unrestricted fund consists of the cumulative excess of revenue over expenditures of the College less the amounts that have been internally restricted.

Financial Instruments

The College records financial instruments at fair value on initial recognition. The College subsequently measures all its financial instruments at amortized cost except for investments, which are subsequently measured at fair values. Financial instruments are tested for impairment when changes in circumstances indicate the asset could be impaired.

Measurement Uncertainty

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the year. Actual results may differ from these estimates.

Contributed Services

The College uses volunteers to assist in the organization's activities. While these services benefit the College 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>2020</u>	<u>2019</u>
Cash and money market	\$ 519,685	\$ 164,982
Fixed income	576,338	3,332,184
Total	<u>\$ 1,096,023</u>	<u>\$ 3,497,166</u>

Short-term investments mature or are redeemable at various dates not exceeding 12 months. Fixed income investments include guaranteed investment certificates and high interest performer accounts with interest rates ranging from 1.35% - 3.55% (2019 - 1.15% - 2.60%).

College of Optometrists of Ontario
Notes to Financial Statements

December 31, 2020

4. Long-Term Investments

	2020	2019
Fixed income	\$ 2,785,132	\$ 1,900,411
Canadian equities	903,423	1,050,415
Foreign equities	870,055	914,349
Total	\$ 4,558,610	\$ 3,865,175

Long-term investments mature or are redeemable at various dates exceeding 12 months. Fixed income investments include investments in funds with effective interest rates ranging from 0.80% - 6.69% (2019 - 1.25% - 6.69%).

5. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware	\$ 66,622	\$ 53,230	\$ 13,392	\$ 15,805
Furniture and equipment	110,021	83,712	26,309	19,513
Leasehold improvements	304,452	211,841	92,611	87,247
	\$ 481,095	\$ 348,783	\$ 132,312	\$ 122,565

6. Funds in Trust

The amount represents payments received from a member of the College subsequent to the resolution of a professional conduct ruling arising from complaints of sexual harassment and inappropriate professional behaviour. These funds are held in trust by the College as required by section 85.7 of the Health Professions Procedural Code, and paid to the complainant as reimbursement as the costs are incurred. Any excess of funds not used by the program will be returned to the member of the College.

	2020	2019
Balance, opening	\$ 36,949	\$ 43,530
Disbursements	(6,025)	(6,581)
Balance, ending	\$ 30,924	\$ 36,949

December 31, 2020

7. Restricted Funds

December 31, 2020

	Fund												Total
	Contingency	Entry-to-Practise Exam Development	Fee Stabilization	Investigations and Hearings	New Government Initiatives	Patient Relations	Public Awareness	Office Acquisition	Research	Staff Development	Strategic Plan and CPMF Fund	Unauthorized Practice	
Balance, beginning of year	\$ -	\$ 270,000	\$ 100,000	\$ 200,000	\$ 200,000	\$ 50,000	\$ -	\$ 2,250,000	\$ 50,000	\$ -	\$ -	\$ 146,000	\$ 3,266,000
Interfund transfers	150,000	-	600,000	-	-	-	300,000	(2,250,000)	300,000	300,000	600,000	-	-
Transfers from unrestricted fund	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance, end of year	\$ 150,000	\$ 270,000	\$ 700,000	\$ 200,000	\$ 200,000	\$ 50,000	\$ 300,000	\$ -	\$ 350,000	\$ 300,000	\$ 600,000	\$ 146,000	\$ 3,266,000

December 31, 2019 (Note 14)

	Fund												Total
	Contingency	Entry-to-Practise Exam Development	Fee Stabilization	Investigations and Hearings	New Government Initiatives	Patient Relations	Public Awareness	Office Acquisition	Research	Staff Development	Strategic Plan and CPMF Fund	Unauthorized Practice	
Balance, beginning of year	\$ 20,000	\$ -	\$ 100,000	\$ 200,000	\$ 100,000	\$ 100,000	\$ 50,000	\$ 2,250,000	\$ 300,000	\$ -	\$ -	\$ 250,000	\$ 3,370,000
Interfund transfers	(20,000)	270,000	-	-	100,000	(50,000)	(50,000)	-	(250,000)	-	-	-	-
Transfers from unrestricted fund (Note 14)	-	-	-	-	-	-	-	-	-	-	-	(104,000)	(104,000)
Balance, end of year	\$ -	\$ 270,000	\$ 100,000	\$ 200,000	\$ 200,000	\$ 50,000	\$ -	\$ 2,250,000	\$ 50,000	\$ -	\$ -	\$ 146,000	\$ 3,266,000

College of Optometrists of Ontario
Notes to Financial Statements

December 31, 2020

8. Membership Contributions

	2020	2019
Federation of Optometric Regulatory Authorities of Canada	\$ 26,440	\$ 25,140

9. Retirement Pension Plan

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

10. Commitments

(a) Equipment Operating Leases

The College leases office equipment under long-term lease arrangements which require payments for the next five years as follows:

2021		\$	10,126
2022			10,126
2023			7,838
2024			3,263
2025			3,263
		\$	31,353

(b) Premise Operating Leases

The College entered into a ten year lease agreement for their premises effective March 1, 2014. The monthly occupancy cost includes the base lease amount plus the College's share of property taxes and operating costs.

The minimum annual base lease payments for the next four years are as follows:

2021		\$	63,650
2022			63,650
2023			63,650
2024			10,608
		\$	201,558

College of Optometrists of Ontario Notes to Financial Statements

December 31, 2020

11. 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, interest rate, currency and liquidity risk.

Market risk

Market 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.

Interest risk

Interest 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 through its fixed income investments. There has been no change in this risk assessment from the prior year.

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.

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.

12. TWS Subsidy

The College received the Temporary Wage Subsidy ("TWS") from the Government of Canada during the year. The total amount of government assistance received was \$20,825. Management of the College has determined that the College does not have an obligation to repay the Government of Canada for this subsidy as they have determined that the College has met all applicable eligibility criteria.

College of Optometrists of Ontario Notes to Financial Statements

December 31, 2020

13. COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of the novel strain of COVID-19 pandemic resulting in governments worldwide enacting emergency measures to combat the spread of the virus.

In response to pandemic, the College allowed for deferrals on its annual registration fees, suspended the collection of its professional corporation fees, and implemented other measures in an attempt to decrease expenses.

The pandemic could result in future economic uncertainties, which would impact the operations and cash flows of the College in future years.

14. Unauthorized Practice Fund

During the prior year, expenses of \$104,000 were incurred that were recorded directly as decreases to the net assets of the Unauthorized Practice fund. The financial statements have been updated to record these expenditures in the statement of revenue and expenditures, with an interfund transfer from the unrestricted fund to the Unauthorized Practice fund for \$104,000. As a result, the prior year statement of revenue and expenditures, statement of changes in net assets, statement of cash flows and Note 7 have been restated.

15. Comparative Figures

Certain prior year's comparative figures were reclassified to conform with the current year's financial statements presentation.