

***DRAFT #5***  
*May 11, 2020*

Financial Statements of

**ONTARIO COLLEGE OF  
TEACHERS**

Year ended December 31, 2019

# ONTARIO COLLEGE OF TEACHERS

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## INDEPENDENT AUDITORS' REPORT

To the Members of Ontario College of Teachers

### ***Opinion***

We have audited the financial statements of Ontario College of Teachers (the Entity), which comprise:

- the balance sheet as at December 31, 2019
- the statement of operations and changes in members' equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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.

***Other Information***

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the Annual Report 2019.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Annual Report 2019 as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 Entity'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 Entity or cease operations, or has no realistic alternative but to do so.

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

***Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

***DRAFT***

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

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# ONTARIO COLLEGE OF TEACHERS

**DRAFT** Balance Sheet  
(In thousands of dollars)

December 31, 2019, with comparative information for 2018

	2019	2018
<b>Assets</b>		
Current assets:		
Cash	\$ 4,651	\$ 3,716
Investments (note 2)	5,005	8,148
Accounts receivable	379	353
Deposits and prepaid expenses	243	191
	<u>10,278</u>	<u>12,408</u>
Capital assets (note 3)	28,286	28,599
	<u>\$ 38,564</u>	<u>\$ 41,007</u>
<b>Liabilities and Members' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 4,701	\$ 3,880
Deferred revenue	1,444	777
Deferred salaries	619	504
Mortgage payable (note 5)	13,999	762
	<u>20,763</u>	<u>5,923</u>
Mortgage payable (note 5)	–	13,999
Members' equity:		
Unrestricted	13,791	13,342
Internally restricted (note 9)	4,010	7,743
	<u>17,801</u>	<u>21,085</u>
Commitments and contingencies (notes 7 and 8)		
Subsequent event (note 12)		
	<u>\$ 38,564</u>	<u>\$ 41,007</u>

See accompanying notes to financial statements.

Approved on behalf of the Members:

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Nicole van Woudenberg, OCT  
Council Chair

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Michael Salvatori, OCT  
Chief Executive Officer and Registrar

# ONTARIO COLLEGE OF TEACHERS

## **DRAFT** Statement of Operations and Changes in Members' Equity (In thousands of dollars)

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Annual membership fees	\$ 35,265	\$ 35,209
Other fees	1,429	1,932
Advertising	787	800
Special projects	12	110
Interest and other	568	453
	<u>38,061</u>	<u>38,504</u>
Expenditures:		
Employee salaries	18,041	17,331
Employee benefits (note 10)	4,698	4,563
Council and committees	705	933
Services to members and applicants	3,162	3,307
Professional practice	583	521
Investigations and hearings	6,066	4,132
Operating support	5,073	4,752
Mortgage interest	831	874
Amortization	2,186	2,217
Council elections	—	220
	<u>41,345</u>	<u>38,850</u>
Deficiency of revenue over expenditures	(3,284)	(346)
Members' equity, beginning of year	21,085	21,431
Members' equity, end of year	<u>\$ 17,801</u>	<u>\$ 21,085</u>
Members' equity, comprised of:		
Unrestricted	\$ 13,791	\$ 13,342
Internally restricted (note 9)	4,010	7,743

See accompanying notes to financial statements.



# ONTARIO COLLEGE OF TEACHERS

## **DRAFT** Statement of Cash Flows (In thousands of dollars)

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenditures	\$ (3,284)	\$ (346)
Amortization which does not involve cash	2,186	2,217
Change in non-cash operating working capital:		
Accounts receivable	(26)	43
Deposits and prepaid expenses	(52)	(17)
Accounts payable and accrued liabilities	821	(608)
Deferred revenue	667	112
Deferred salaries	115	265
	<u>427</u>	<u>1,666</u>
Financing activities:		
Repayment of mortgage principal	(762)	(719)
Investing activities:		
Purchases of investments	(48,357)	(8,080)
Proceeds from redemption of investments	51,500	6,573
Purchase of capital assets	(1,873)	(1,791)
	<u>1,270</u>	<u>(3,298)</u>
Increase (decrease) in cash	935	(2,351)
Cash, beginning of year	3,716	6,067
<u>Cash, end of year</u>	<u>\$ 4,651</u>	<u>\$ 3,716</u>

See accompanying notes to financial statements.

# ONTARIO COLLEGE OF TEACHERS

**DRAFT** Notes to Financial Statements  
(In thousands of dollars)

Year ended December 31, 2019

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The Ontario College of Teachers (the "College") was established by an Act of the Ontario Legislature proclaimed on July 5, 1996.

The College is an independent, self-regulating professional body with authority to license and regulate the practice of teaching in Ontario.

The affairs of the College are administered by a Council comprised of 37 members of whom 23 are elected by the membership and 14 are appointed by the Lieutenant-Governor-in-Council.

As a not-for-profit professional membership organization, the College is exempt from income taxes.

## 1. Significant accounting policies:

The financial statements of the College have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies followed by the College are outlined below:

### (a) Revenue recognition:

The College follows the deferral method of accounting for revenue.

Membership fees received are deferred and recognized as revenue in the year to which the fee relates.

All other unrestricted revenue is recognized as revenue when received or receivable, if the amounts to be received can be reasonably estimated and collection is reasonably assured.

Interest revenue is recorded as earned.

# ONTARIO COLLEGE OF TEACHERS

**DRAFT** Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2019

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## 1. Significant accounting policies (continued):

### (b) Capital assets:

Capital assets purchased are recorded at cost. Repairs and maintenance costs are charged to expenditures. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the College's ability to provide services, its carrying amount is written down to its residual value. Capital assets are amortized over their estimated useful lives on a straight-line basis, as follows:

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Building	30 years
Building improvements	15 years
Furniture	10 years
Equipment	3 to 10 years
Computer equipment	4 years
Software	3 years

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### (c) Financial instruments:

Financial liabilities are initially recognized at fair value less any financing fees or transaction costs. The financial liabilities are subsequently measured at amortized cost.

Financial assets are initially recognized at fair value plus any financing fees or transaction costs. Investments are recorded at amortized cost and include accrued interest.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the College determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the College expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value. Impairments are recognized through the use of an allowance account, with a corresponding charge in the statement of operations and changes in members' equity.

# ONTARIO COLLEGE OF TEACHERS

**DRAFT** Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2019

## 1. Significant accounting policies (continued):

### (d) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 could differ from those estimates.

## 2. Investments:

	2019	2018
Bank of Montreal 2.1% GIC, matured February 14, 2019	\$ –	\$ 8,148
Bank of Montreal 2.25% GIC, matures April 15, 2020	5,005	–
	<u>\$ 5,005</u>	<u>\$ 8,148</u>

Included in the investment balance is \$5 (2018 - \$148) of accrued interest.

## 3. Capital assets:

	2019		2018	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 7,660	\$ –	\$ 7,660	\$ 7,660
Building	12,834	4,064	8,770	9,198
Building improvements	15,575	8,810	6,765	7,687
Furniture	6,304	5,267	1,037	1,021
Equipment	5,033	4,575	458	460
Computer equipment	2,283	1,915	368	306
Software	3,510	282	3,228	2,267
	<u>\$ 53,199</u>	<u>\$ 24,913</u>	<u>\$ 28,286</u>	<u>\$ 28,599</u>

# ONTARIO COLLEGE OF TEACHERS

**DRAFT** Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2019

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### 3. Capital assets (continued):

Included in software is \$3,214 (2018 - \$2,221) related to the work in progress development of a new CRM Membership Management system. This portion will not be amortized until the project is complete.

### 4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities at December 31, 2019 are government remittances owing of \$52 (2018 - \$274).

### 5. Mortgage payable:

On June 23, 2010, the College purchased eight floors of a 15-floor commercial condominium building at 101 Bloor Street West. The vendor retained the bottom six floors, including the ground floor retail space. Total cost of the property purchased was \$20.5 million, which was recorded in capital assets.

The College received a \$14.12 million mortgage from its bank to finance the purchase. The mortgage is amortized over 30 years and is secured by the property. Held as collateral for the mortgage are the property, a chattel mortgage and a general assignment of rents and leases.

The College also received a \$6.14 million construction mortgage from its bank to finance the building improvements. This mortgage bears the same terms as those of the building acquisition mortgage.

As at December 31, the balances outstanding are as follows:

	2019	2018
Bank of Montreal, 5.77% payable in monthly instalments of principal and interest of \$93, maturing June 30, 2020	\$ 9,757	\$ 10,288
Bank of Montreal, 5.77% payable in monthly instalments of principal and interest of \$40, maturing June 30, 2020	4,242	4,473
	13,999	14,761
Less current portion	13,999	762
	\$ –	\$ 13,999

# ONTARIO COLLEGE OF TEACHERS

**DRAFT** Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2019

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**5. Mortgage payable (continued):**

Principal payments are due as follows:

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2020	\$ 13,999
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**6. Credit facility:**

The College has an unsecured operating line of credit of \$5,000, which bears interest at the bank prime rate plus 0.5%. As at December 31, 2019, no amounts (2018 - nil) had been drawn against this facility.

**7. Commitments:**

The College has entered into various operating lease commitments for office equipment. The estimated annual payments for these operating lease commitments are as follows:

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2020	\$ 29
2021	29
2022	26

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	\$ 84
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**8. Contingencies:**

The College is involved in claims that arise from time to time in the normal course of operations. Management is unaware of any matters that will have a material adverse effect on the financial position of the College or its results of operations.

# ONTARIO COLLEGE OF TEACHERS

**DRAFT** Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2019

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## 9. Members' equity:

The College's Council has designated certain amounts of previously unrestricted members' equity to be internally restricted. The internally restricted funds are available only with the approval of the Council. The purpose of the internally restricted operating reserve is to maintain two months of cash flows for ongoing operations and programs, and to fund unplanned opportunities and liabilities.

During the year, the Council approved an interfund transfer from internally restricted to unrestricted of \$3,733 for operating needs (2018 - the Council approved an interfund transfer from unrestricted to internally restricted of \$8,372 and a draw from internally restricted of \$629 for operating needs).

## 10. Pension plans:

Employees who are certified teachers are required to participate in the Ontario Teachers' Pension Plan ("OTPP"), a defined benefit pension plan. All but three non-teacher employees are members of the Ontario Municipal Employees Retirement System ("OMERS"), a defined benefit pension plan with similar characteristics to the OTPP. Both OTPP and OMERS are multi-employer pension plans. The College matches the contributions made by the employees. Contributions are based on a statement from the respective plan for each fiscal year.

The College's total annual pension expense for the two plans was \$1,798 (2018 - \$1,721), which is included in the employee benefits expense in the statement of operations and changes in members' equity.

## 11. Financial risks:

The College believes that it is not exposed to significant interest-rate, market, credit or cash flow risk arising from its financial instruments. Additionally, the College believes it is not exposed to significant liquidity risk as all investments are held in instruments that are highly liquid and can be disposed of to settle commitments.

# ONTARIO COLLEGE OF TEACHERS

**DRAFT** Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2019

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## 12. Subsequent event:

Subsequent to year-end, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. The College shifted to a work remote business contingency strategy on March 17, 2020. College operations were not interrupted and core business functions continued to operate remotely. The College has planned a four-phase strategy in response to normalizing operations on a gradual basis. The situation is dynamic and potential financial impact, if any, is not known at this time.