

DRAFT #2
March 12, 2024

Financial Statements of

**ONTARIO COLLEGE OF
TEACHERS**

Year ended December 31, 2023

ONTARIO COLLEGE OF TEACHERS

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INDEPENDENT AUDITOR'S 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, 2023
- 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, 2023, 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 auditor's 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.

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.

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 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 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 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.

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Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

ONTARIO COLLEGE OF TEACHERS

DRAFT Balance Sheet
(In thousands of dollars)

December 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash	\$ 14,467	\$ 4,999
Investments (note 2)	9,465	9,174
Accounts receivable	222	107
Deposits and prepaid expenses	129	157
	<u>24,283</u>	<u>14,437</u>
Capital assets (note 3)	21,676	23,695
	<u>\$ 45,959</u>	<u>\$ 38,132</u>

Liabilities and Members' Equity

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 5,080	\$ 3,748
Deferred revenue	1,532	1,604
Deferred salaries	20	195
Mortgage payable (note 5)	549	532
	<u>7,181</u>	<u>6,079</u>
Mortgage payable (note 5)	11,241	11,788
Members' equity:		
Unrestricted	9,374	10,863
Internally restricted (note 9)	18,163	9,402
	<u>27,537</u>	<u>20,265</u>
Commitments and contingencies (notes 7 and 8)		
	<u>\$ 45,959</u>	<u>\$ 38,132</u>

See accompanying notes to financial statements.

On behalf of the Board:

Council Chair, Diana Miles

Registrar & CEO, Linda Lacroix

ONTARIO COLLEGE OF TEACHERS

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

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Annual membership fees	\$ 45,929	\$ 39,000
Other fees	2,302	2,225
Advertising	283	284
Interest and other (note 11)	1,925	1,095
	<u>50,439</u>	<u>42,604</u>
Expenditures:		
Employee salaries	20,647	18,913
Employee benefits (note 10)	5,481	4,659
Council and committees	260	200
Services to members and applicants	381	542
Professional practice	262	259
Investigations and hearings	4,200	5,032
Operating support	7,328	5,430
Mortgage interest	397	417
Amortization	4,211	4,132
	<u>43,167</u>	<u>39,584</u>
Excess of revenue over expenditures	7,272	3,020
Members' equity, beginning of year	20,265	17,245
Members' equity, end of year	<u>\$ 27,537</u>	<u>\$ 20,265</u>
Members' equity, comprised of:		
Unrestricted	\$ 9,374	\$ 10,863
Internally restricted (note 9)	18,163	9,402

See accompanying notes to financial statements.

ONTARIO COLLEGE OF TEACHERS

DRAFT Statement of Cash Flows

(In thousands of dollars)

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures	\$ 7,272	\$ 3,020
Amortization which does not involve cash	4,211	4,132
Interest accrued	(291)	(174)
Change in non-cash operating working capital:		
Accounts receivable	(115)	171
Deposits and prepaid expenses	28	157
Accounts payable and accrued liabilities	1,332	(1,057)
Deferred revenue	(72)	218
Deferred salaries	(175)	(330)
	12,190	6,137
Financing activities:		
Repayment of mortgage principal	(530)	(515)
Investing activities:		
Purchases of investments	—	(9,000)
Purchase of capital assets	(2,192)	(647)
	(2,192)	(9,647)
Increase (decrease) in cash	9,468	(4,025)
Cash, beginning of year	4,999	9,024
Cash, end of year	\$ 14,467	\$ 4,999

See accompanying notes to financial statements.

ONTARIO COLLEGE OF TEACHERS

DRAFT Notes to Financial Statements
(In thousands of dollars)

Year ended December 31, 2023

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 College is governed by a Council comprised of 12 members, half of whom are Ontario Certified Teachers and half who are members of the public appointed by the Government of Ontario.

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, 2023

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:

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

(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, 2023

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:

	2023	2022
Bank of Montreal 5.55% GIC, maturing January 26, 2024	\$ 9,465	\$ 9,174

Included in the investment balance is \$465 (2022 - \$174) of accrued interest.

3. Capital assets:

	2023	2022		
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 7,660	\$ –	\$ 7,660	\$ 7,660
Building	12,835	5,776	7,059	7,487
Building improvements	15,721	12,990	2,731	3,780
Furniture	6,553	6,001	552	598
Equipment	4,776	3,110	1,666	388
Computer equipment	2,538	1,849	689	432
Software	6,900	5,581	1,319	3,350
	\$ 56,983	\$ 35,307	\$ 21,676	\$ 23,695

Included in equipment is \$1,073 in assets related to upgrading of the audio visual systems at the College. Amortization of these amounts will commence when these assets are put in use.

ONTARIO COLLEGE OF TEACHERS

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

Year ended December 31, 2023

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities at December 31, 2023 are government remittances owing of nil (2022 - \$138).

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.

On June 25, 2020, the College entered into a Letter of Agreement (the "Agreement") with a Canadian chartered bank to establish a renewed and amended credit facility (the "Facility"). Under the Facility, the College has established two separate loans with different interest rates and maturity dates as outlined below. Both mortgages are amortized over 20 years and are secured by the property. Held as collateral for the Facility are the property, a chattel mortgage and a general assignment of rents and leases.

Under the terms of the Agreement, the College is required to comply with certain financial and non-financial covenants. As at December 31, 2023, the College is in compliance with the covenants.

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

	2023	2022
Bank of Montreal, 3.04% payable in monthly instalments of principal and interest of \$38, maturing June 30, 2025	\$ 5,875	\$ 6,146
Bank of Montreal, 3.54% payable in monthly instalments of principal and interest of \$40, maturing June 30, 2030	5,915	6,174
	11,790	12,320
Less current portion	549	532
	\$ 11,241	\$ 11,788

ONTARIO COLLEGE OF TEACHERS

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2023

5. Mortgage payable (continued):

Principal payments are due as follows:

2024	\$ 549
2025	5,875
2026	290
2027	300
2028	311
Thereafter	4,465
	<hr/>
	\$ 11,790

6. Credit facility:

Under the Agreement as disclosed in note 5, the College has access to an operating demand loan with an overall limit of \$5,000, which bears interest at the bank prime rate plus 0.5%. As at December 31, 2023, no amounts (2022 - 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:

2024	\$ 38
2025	39
2026	39
2027	32
	<hr/>
	\$ 148

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, 2023

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 operating reserve fund goal includes setting aside up to three months (2022 - two months) of cash flow to maintain ongoing operations and programs, and to fund unplanned opportunities and liabilities. The College may need to infrequently set aside additional cash reserves for a specified financial or program objective with a measurable timeframe and outcome.

Based on council approval, \$8,761 is transferred from the unrestricted fund to the restricted fund (2022 - transfer from the unrestricted fund to the internally restricted fund \$5,994).

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 \$2,008 (2022 - \$1,786), which is included in the employee benefits expense in the statement of operations and changes in members' equity.

11. Benefits recovery:

Included in interest and other in the prior year is \$503 received from the College's group health benefits insurer related to an accumulated surplus of under-claimed insurance premiums over the years. The College utilized this surplus to fund staffing positions to address workload pressures in Membership Services.

12. Financial risks:

The College believes that it is not exposed to significant interest-rate, 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.