

**THE ONTARIO PUBLIC SERVICE QUARTER CENTURY CLUB**

**FINANCIAL STATEMENTS**

MARCH 31, 2019

## **Independent Auditor's Report**

To the Members of The Ontario Public Service Quarter Century Club

### **Opinion**

We have audited the financial statements of The Ontario Public Service Quarter Century Club (the "Organization"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2019, 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.

### **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 Organization 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 ability of the Organization 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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Organization.

### **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 internal control of the Organization.

## Independent Auditor's Report (continued)

### Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 ability of the Organization 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 Organization 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Toronto, Ontario  
July 15, 2019

Chartered Professional Accountants  
Licensed Public Accountants

# THE ONTARIO PUBLIC SERVICE QUARTER CENTURY CLUB

## Statement of Financial Position

March 31	2019 \$	2018 \$
<b>ASSETS</b>		
Current assets		
Cash	114,170	128,275
Accounts receivable	27,784	11,860
Prepaid expenses	29,136	57,573
	<b>171,090</b>	197,708
Investments (note 3)	1,701,120	1,680,842
Capital assets (note 4)	10,084	11,694
	<b>1,882,294</b>	1,890,244
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	42,212	18,716
Deferred contributions (note 5)	23,375	41,457
HST payable	16,392	835
	<b>81,979</b>	61,008
<b>NET ASSETS</b>	<b>1,800,315</b>	1,829,236
	<b>1,882,294</b>	1,890,244

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board:

Member

Member

# THE ONTARIO PUBLIC SERVICE QUARTER CENTURY CLUB

## Statement of Operations

Year ended March 31	2019 \$	2018 \$
Revenues		
Affinity revenue (note 6)	789,645	708,622
Long service recognition	162,077	210,657
Advertising revenue	55,000	42,500
Investment income (note 7)	120,278	47,854
Other revenue (note 8)	22,385	24,804
	<u>1,149,385</u>	<u>1,034,437</u>
Expenditures		
Salaries and related benefits	483,584	346,529
Newsletters and brochures	219,691	218,811
Rent	71,498	74,569
Professional fees	68,839	81,465
Long service celebration	26,138	52,972
Governance expenses	51,455	44,946
Office and administration	30,618	37,447
Employee recognition expenses	61,177	37,147
Subcommittee expenses	5,824	8,744
QCC recognition	80,746	24,616
IT and data management	25,304	18,646
Advertising and promotion	42,512	8,986
Insurance	6,837	7,476
Promotional and networking events	-	4,682
Amortization	4,083	3,961
	<u>1,178,306</u>	<u>970,997</u>
Excess (deficiency) of revenues over expenditures for year	<u>(28,921)</u>	<u>63,440</u>

## Statement of Changes in Net Assets

Year ended March 31	2019 \$	2018 \$
Net Assets, beginning of year	1,829,236	1,765,796
Excess (deficiency) of revenues over expenditures for year	<u>(28,921)</u>	<u>63,440</u>
Net Assets, end of year	<u>1,800,315</u>	<u>1,829,236</u>

The accompanying notes are an integral part of these financial statements

# THE ONTARIO PUBLIC SERVICE QUARTER CENTURY CLUB

## Statement of Cash Flows

Year ended March 31	2019 \$	2018 \$
Cash flows from operating activities		
Excess (deficiency) of revenues over expenditures for year	(28,921)	63,440
Adjustments to determine net cash provided by (used in) operating activities		
Amortization	4,083	3,961
Unrealized (gain) loss and interest accruals	(90,310)	(34,648)
	(115,148)	32,753
Change in non-cash working capital items		
Decrease (increase) in accounts receivable	(15,924)	(6,700)
Decrease (increase) in prepaid expenses	28,437	(17,240)
Increase in accounts payable and accrued liabilities	23,496	3,529
Increase (decrease) in deferred contributions	(18,082)	26,516
Increase (decrease) in HST payable	15,557	(18,157)
	(81,664)	20,701
Cash flows from investing activities		
Purchase of investments	(915,993)	(696,086)
Proceeds on sale of investments	986,025	682,570
Purchase of capital assets	(2,473)	-
	67,559	(13,516)
Net change in cash during the year	(14,105)	7,185
Cash, beginning of year	128,275	121,090
Cash, end of year	114,170	128,275

The accompanying notes are an integral part of these financial statements

# THE ONTARIO PUBLIC SERVICE QUARTER CENTURY CLUB

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## Notes to Financial Statements

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March 31, 2019

### **Nature of operations**

The Ontario Public Service Quarter Century Club (the "Organization") was incorporated in July, 1993 under the laws of the Province of Ontario as a not-for-profit organization without share capital under the Income Tax Act. As a not-for-profit organization, The Ontario Public Service Quarter Century Club is exempt from income taxes. The Organization is a long-term employees association for members and former members of the Ontario Public Service.

### **1. Significant accounting policies**

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

#### **(a) Revenue recognition**

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions consists primarily of long service recognition government funding received from the Ministry of Government Services.

Affinity and other revenue is recognized as revenue when received or receivable and the amount to be received can be reasonably estimated and its collection is reasonably assured.

Advertising revenue is recognized when the related advertising is distributed.

Investment income consists of interest income, dividends and realized and unrealized gains and losses from investment transactions. Interest income is recorded when earned. Dividends are recorded when declared. Realized gains and losses are recognized as income when the transactions occur. Unrealized gains and losses which reflect the changes in fair value during the period are recognized at each reporting date and are included in current period income.

Other revenue is recognized as revenue when earned.

# THE ONTARIO PUBLIC SERVICE QUARTER CENTURY CLUB

## Notes to Financial Statements (continued)

March 31, 2019

### 1. Significant accounting policies (continued)

#### (b) Financial instruments

##### (i) Measurement of financial instruments

The Organization 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 Organization subsequently measures its financial assets and financial liabilities at amortized cost, except for investments, which are quoted in an active market, and are subsequently measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and accrued interest receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

##### (ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write down reflects the difference between the carrying amount and the higher of:

- the present value of the cash flows expected to be generated by the asset or group of assets;
- the amount that could be realized by selling the assets or group of assets;

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment. The amount of the reversal is recognized in income in the period that the reversal occurs.

#### (c) Investments

Investments are recorded at fair value. Fair value is based on quoted market prices for exchange-traded equity and fixed income securities.

# THE ONTARIO PUBLIC SERVICE QUARTER CENTURY CLUB

## Notes to Financial Statements (continued)

March 31, 2019

### 1. Significant accounting policies (continued)

#### (d) Capital assets

Capital assets are recorded at cost, less accumulated amortization. The Organization provides for amortization using the declining balance method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

Equipment	30%
Furniture and fixtures	20%
Computer equipment	55%

Capital assets is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. If any potential impairment is identified, the amount of the impairment is quantified by comparing the carrying value of the capital assets to its fair value. Any impairment of capital assets is recognized in income in the year in which the impairment occurs. An impairment loss is not reversed if the fair value of the capital assets subsequently increases.

#### (e) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current year. Actual results may differ from these estimates, the impact of which would be recorded in future years.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

# THE ONTARIO PUBLIC SERVICE QUARTER CENTURY CLUB

## Notes to Financial Statements (continued)

March 31, 2019

### 2. Financial instrument risk management

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The following disclosures provide information to assist users of the financial statements in assessing the extent of risk related to the Organization's financial instruments.

The financial instruments of the Organization and the nature of the risks to which it may be subject are as follows:

Financial instrument	Risks				
	Credit	Liquidity	Market risk		
Currency			Interest rate	Other price	
Cash	X			X	
Accounts receivable	X			X	
Investments	X			X	X
Accounts payable and accrued liabilities		X			

#### (a) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The maximum exposure of the Organization to credit risk is as follows:

	2019 \$	2018 \$
Cash	114,170	128,275
Accounts receivable	27,784	11,860
Investments	1,701,120	1,680,842
	<u>1,843,074</u>	<u>1,820,977</u>

The Organization reduces its exposure to the credit risk of cash by ensuring that these assets are held at major financial institutions.

The Organization mitigates credit risk in respect of accounts receivable by closely monitoring its accounts. Accounts receivable is presented net of allowance for doubtful accounts in the amount of \$NIL (\$NIL - 2018).

Concentrations of credit risk with respect to investments are mitigated by ensuring that these assets are invested in financial obligations of governments, major financial institutions and other credit-worthy parties.

#### (b) Liquidity risk

Liquidity risk is the risk that the Organization cannot repay its obligations when they become due to its creditors. The Organization meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities, holding assets that can be readily converted into cash.

# THE ONTARIO PUBLIC SERVICE QUARTER CENTURY CLUB

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## Notes to Financial Statements (continued)

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March 31, 2019

### 2. Financial instrument risk management (continued)

#### (c) 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. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Organization is not exposed to currency risk.

#### (d) Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The Organization manages the interest rate risk exposure of its investments in guaranteed investment certificates and fixed income investments by having a portfolio with varying terms to maturity. This structure of maturities helps to enhance the average portfolio yield while reducing the sensitivity of the portfolio to the impact of interest rate fluctuations.

#### (e) Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

The Organization manages the other price risk of investments by ensuring that these assets are invested in managed funds of: major financial institutions that have been accorded investment grade ratings by a primary rating agency; and/or other credit-worthy parties. A review is performed periodically to evaluate changes in the status and to compare returns to various benchmarks.

#### (f) Changes in risk

There have been no significant changes in the risk profile of the financial instruments of the Organization from that of the prior year.

# THE ONTARIO PUBLIC SERVICE QUARTER CENTURY CLUB

## Notes to Financial Statements (continued)

March 31, 2019

### 3. Investments

Details of the investments are as follows:

	2019 Fair Value \$	2018 Fair Value \$
Cash	103,980	44,983
Government Bonds:		
Maturing between Sep 8, 2019 - Dec 1, 2048		
Interest rates between 1.25% - 3.50%	626,828	529,144
Corporate bonds:		
Maturing between June 1, 2020 - Jul 25, 2029		
Interest rates between 2.05% - 3.6%	233,033	367,048
Canadian equities	373,768	358,212
Foreign equities	363,511	381,455
	<u>1,701,120</u>	<u>1,680,842</u>

The original cost of investments as of March 31, 2019 is \$1,398,927 (\$1,418,751 - 2018).

### 4. Capital assets

Details of capital assets are as follows:

	2019		
	Cost \$	Accumulated Amortization \$	Net \$
Equipment	12,695	12,504	191
Furniture and fixtures	31,969	23,647	8,322
Computer equipment	55,942	54,371	1,571
	<u>100,606</u>	<u>90,522</u>	<u>10,084</u>
	2018		
	Cost \$	Accumulated Amortization \$	Net \$
Equipment	12,695	12,421	274
Furniture and fixtures	31,969	21,566	10,403
Computer equipment	53,468	52,451	1,017
	<u>98,132</u>	<u>86,437</u>	<u>11,694</u>

# THE ONTARIO PUBLIC SERVICE QUARTER CENTURY CLUB

## Notes to Financial Statements (continued)

March 31, 2019

### 5. Deferred contributions

The deferred contribution balance comprises of the following:

	2019 \$	2018 \$
Johnson Insurance - marketing activities	-	41,457
The Minister of Employment and Social Development - New Horizons for Seniors project	23,375	-
	<u>23,375</u>	<u>41,457</u>

### 6. Affinity revenue

	2019 \$	2018 \$
Insurance - Home and auto	352,718	340,295
Insurance - Out of country medical	254,177	281,665
Marketing fund	120,210	43,222
Senior tours	16,306	27,415
Insurance - Guaranteed life	4,320	4,492
Insurance - Life and AD&D	53	59
Insurance - Hospital plan	3,465	3,830
Other	38,396	7,644
	<u>789,645</u>	<u>708,622</u>

### 7. Investment income

	2019 \$	2018 \$
Interest	13,250	6,922
Dividends	5,258	34,053
Realized gains on sale of investments	61,340	41,517
Unrealized gains (losses)	40,430	(34,638)
	<u>120,278</u>	<u>47,854</u>

### 8. Other revenue

	2019 \$	2018 \$
Sponsorships	4,200	1,500
One-time operational support	15,000	20,000
Summer student grant	2,610	3,078
Miscellaneous	575	226
	<u>22,385</u>	<u>24,804</u>

# THE ONTARIO PUBLIC SERVICE QUARTER CENTURY CLUB

## Notes to Financial Statements (continued)

March 31, 2019

### 9. Lease commitment

The Organization has entered into a lease for office premises which expires on February 28, 2023. The annual minimum lease payments are as follows:

	<u>\$</u>
2020	28,879
2021	29,310
2022	29,740
2023	<u>27,624</u>
	<u>115,553</u>

In addition to the minimum lease payments, the Organization is obligated to pay operating costs for its office space. The operating costs were approximately \$43,050 (\$46,120 - 2018).

# HILBORN

LISTENERS. THINKERS. DOERS.