

THE ONTARIO PUBLIC SERVICE QUARTER CENTURY CLUB

FINANCIAL STATEMENTS

MARCH 31, 2020

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, 2020, 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, 2020, 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
June 26, 2020

Chartered Professional Accountants
Licensed Public Accountants

THE ONTARIO PUBLIC SERVICE QUARTER CENTURY CLUB

Statement of Financial Position

March 31	2020 \$	2019 \$
ASSETS		
Current assets		
Cash	101,242	114,170
Accounts receivable	105,424	27,784
Prepaid expenses	22,244	29,136
	228,910	171,090
Investments (note 3)	1,630,725	1,701,120
Capital assets (note 4)	12,385	10,084
	1,872,020	1,882,294
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	39,067	42,212
Deferred contributions (note 5)	-	23,375
HST payable	41,805	16,392
	80,872	81,979
NET ASSETS	1,791,148	1,800,315
	1,872,020	1,882,294

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	2020 \$	2019 \$
Revenues		
Affinity revenue (note 6)	821,083	789,645
Long service recognition	201,079	162,077
Advertising revenue	77,500	55,000
Grant revenue (note 7)	45,275	-
Investment income (note 8)	19,699	79,848
Other revenue (note 9)	9,207	22,385
	1,173,843	1,108,955
Expenditures		
Salaries and related benefits	518,645	483,584
Trillium magazine	228,000	219,691
Rent	79,262	71,498
Professional fees	60,862	68,839
OPS long service recognition expenses	54,075	61,177
Advertising and promotion	42,207	42,512
Member's programming	41,842	-
IT and data management	27,550	25,304
Governance expenses	26,904	57,252
Office and administration	17,557	30,618
Insurance	5,929	6,837
Member's recognition	4,332	80,729
Business development	2,289	844
Promotional and networking events	744	-
Long service celebration	-	25,338
Amortization	7,718	4,083
	1,117,916	1,178,306
Excess (deficiency) of revenues over expenditures before the undernoted item	55,927	(69,351)
Unrealized gains (losses) on investments	(65,094)	40,430
Deficiency of revenues over expenditures for year	(9,167)	(28,921)

Statement of Changes in Net Assets

Year ended March 31	2020 \$	2019 \$
Net Assets, beginning of year	1,800,315	1,829,236
Deficiency of revenues over expenditures for year	(9,167)	(28,921)
Net Assets, end of year	1,791,148	1,800,315

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	2020 \$	2019 \$
Cash flows from operating activities		
Deficiency of revenues over expenditures for year	(9,167)	(28,921)
Adjustments to determine net cash provided by (used in) operating activities		
Amortization	7,718	4,083
Unrealized loss (gain) and interest accruals	37,643	(90,310)
	36,194	(115,148)
Change in non-cash working capital items		
Decrease (increase) in accounts receivable	(77,640)	(15,924)
Decrease in prepaid expenses	6,892	28,437
Increase (decrease) in accounts payable and accrued liabilities	(3,145)	23,496
Decrease in deferred contributions	(23,375)	(18,082)
Increase in HST payable	25,413	15,557
	(35,661)	(81,664)
Cash flows from investing activities		
Purchase of investments	(584,884)	(915,993)
Proceeds on sale of investments	617,636	986,025
Purchase of capital assets	(10,019)	(2,473)
	22,733	67,559
Net change in cash during the year	(12,928)	(14,105)
Cash, beginning of year	114,170	128,275
Cash, end of year	101,242	114,170

The accompanying notes are an integral part of these financial statements

THE ONTARIO PUBLIC SERVICE QUARTER CENTURY CLUB

Notes to Financial Statements

March 31, 2020

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.

Grant revenue is recognized as revenue in the year in which the related expenses are incurred.

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, 2020

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 accounts 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, 2020

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, 2020

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:

	2020	2019
	\$	\$
Cash	101,242	114,170
Accounts receivable	105,424	27,784
Investments	1,630,725	1,701,120
	<u>1,837,391</u>	<u>1,843,074</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 - 2019).

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

Notes to Financial Statements (continued)

March 31, 2020

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, 2020

3. Investments

Details of the investments are as follows:

	2020 Fair Value \$	2019 Fair Value \$
Cash	120,904	103,980
Government Bonds:		
Maturing between Sep 1, 2021 - Dec 1, 2051 Interest rates between 0.75% - 3.10%	580,772	626,828
Corporate bonds:		
Maturing between Jul 1, 2023 - Feb 28, 2050 Interest rates between 2.70% - 3.69%	266,500	233,033
Canadian equities	306,751	373,768
Foreign equities	355,798	363,511
	<u>1,630,725</u>	<u>1,701,120</u>

The original cost of investments as of March 31, 2020 is \$1,394,411 (\$1,398,927 - 2019).

4. Capital assets

Details of capital assets are as follows:

	2020		
	Cost \$	Accumulated Amortization \$	Net \$
Equipment	15,030	13,262	1,768
Furniture and fixtures	31,969	25,311	6,658
Computer equipment	63,625	59,666	3,959
	<u>110,624</u>	<u>98,239</u>	<u>12,385</u>
	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>

THE ONTARIO PUBLIC SERVICE QUARTER CENTURY CLUB

Notes to Financial Statements (continued)

March 31, 2020

5. Deferred contributions

The deferred contribution balance consists of the following:

	2020 \$	2019 \$
The Minister of Employment and Social Development - New Horizons for Seniors project	-	23,375

6. Affinity revenue

	2020 \$	2019 \$
Insurance - Home and auto	382,389	352,718
Insurance - Out of country medical	257,470	254,177
Marketing fund	136,261	120,210
Senior tours	4,130	16,306
Insurance - Guaranteed life	3,799	4,320
Insurance - Life and AD&D	52	53
Insurance - Hospital plan	3,362	3,465
Other	33,620	38,396
	<u>821,083</u>	<u>789,645</u>

7. Grant Revenue

Ministry for Seniors and Accessibility

During the 2019/2020 fiscal year, the Organization was approved for provincial project funding from the Ministry for Seniors and Accessibility totalling \$21,900 for the Seniors Community Grant Program for the fiscal year 2019/2020.

During the year, the Organization received \$17,520 (\$NIL - 2019) and accounts receivable includes an amount due from Ministry for Seniors and Accessibility of \$4,380 (\$NIL - 2019), of which \$21,900 (\$NIL - 2019) has been recognized as revenue, and expended on the Seniors Community Grant Program in the amount of \$21,900 (\$NIL - 2019).

The Minister of Employment and Social Development

During the 2018/2019 fiscal year, the Organization was approved for federal project funding from the Minister of Employment and Social Development totalling \$23,575 for the New Horizons for Seniors Program for 12 months expiring in March 2020.

During the year, the Organization received \$NIL (\$23,375 - 2019) of which \$23,375 (\$NIL - 2019) has been recognized as revenue, and expended on a series of retirement workshops in the amount of \$23,375 (\$NIL - 2019). Deferred contributions includes an amount of \$NIL (\$23,375 - 2019) related to this funding.

THE ONTARIO PUBLIC SERVICE QUARTER CENTURY CLUB

Notes to Financial Statements (continued)

March 31, 2020

8. Investment (loss) income

	2020	2019
	\$	\$
Interest	13,916	13,250
Dividends	3,257	5,258
Realized gains on sale of investments	2,526	61,340
	<u>19,699</u>	<u>79,848</u>

9. Other revenue

	2020	2019
	\$	\$
Sponsorships	4,900	4,200
One-time operational support	-	15,000
Employment subsidy	315	2,610
Miscellaneous	3,992	575
	<u>9,207</u>	<u>22,385</u>

10. 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:

	\$
2021	29,310
2022	29,740
2023	27,624
	<u>86,674</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 \$50,420 (\$43,050 - 2019).

THE ONTARIO PUBLIC SERVICE QUARTER CENTURY CLUB

Notes to Financial Statements (continued)

March 31, 2020

11. **Impact of the Global Pandemic**

The global pandemic of the virus known as COVID-19 led the Canadian Federal government, as well as provincial and local governments, to impose measures, such as restricting foreign travel, mandating self-isolations and physical distancing and closing non-essential businesses. These measures have temporarily reduced certain operations of the Organization.

The Organization offers travel insurance to its members through an affiliation with Johnson Insurance, and as a result of the ban on national and international travel the affinity revenue will be impacted significantly subsequent to the year end due to the timing of the restrictions. The Organization is continuing to serve its members with all staff working remotely. The Organization has applied and is receiving government assistance in the form of a wage subsidy and a loan through the Canada Emergency Business Account program.

The Organization has investments in various asset classes for which the Organization has estimated fair value as of the balance sheet date. Global financial markets have experienced unexpected turmoil, resulting in significant declines in asset prices, reduction in interest rates and significant fluctuations in foreign exchange rates. The Organization holds a significant portion of its assets in fixed income securities, the loss in fair value of which has been relatively minor. The Organization also holds investments in equities, which is more susceptible to significant changes in fair value due to fluctuations in the financial market. As a result, the estimated fair value of the Organization's investments in equity securities recognized in the financial statements may have changed significantly from the balance sheet date.

Because of the high level of uncertainty related to the outcome of this pandemic, it is difficult to estimate the financial effect on the Organization. No adjustments have been made in the financial statements for these events.

12. **Comparative figures**

Certain comparative figures in the statement of operations have been reclassified to conform to the presentation used in the current year. The changes do not affect prior year net assets.

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